

2007 SOUTH CAROLINA LABOR MARKET AND ECONOMIC ANALYSIS REPORT



South Carolina Department of Commerce

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2007 South Carolina Labor Market and Economic Analysis Report

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TABLE OF CONTENTS

Executive Summary	iii
2007 Year In Review	v
Chapter 1. Population & Demographics	1
State Population Growth	1
County Population Growth	3
Educational Attainment	6
Migration	6
Projections.....	8
Conclusion	8
Chapter 2. Economic Growth	9
Capital Investment	9
Output	10
Gross State Domestic Product	10
Gross Regional Domestic Product	12
Trade.....	14
Exports.....	14
Foreign Direct Investment.....	16
Conclusion	16
Chapter 3. Workforce	17
Labor Force	17
Employment	19
Industry and Occupational Projections	23
Unemployment	24
Skills	25
Conclusion	27
Chapter 4. Wages & Income.....	28
Overview	28

Income	28
Per Capita Income	28
Rural and Urban Income	29
Income Distribution	30
Cost of Living	30
Earnings	31
Earnings by Industry	31
Earnings by Occupation	32
Earnings by Region	32
Conclusion	33
Chapter 5. Industries	35
Overview	35
Traditional Industry	36
Industry in Focus: <i>Transportation Equipment Manufacturing</i>	38
Industry in Focus: <i>Transportation and Warehousing</i>	38
Emerging Industry	40
Industry in Focus: <i>Professional, Scientific and Technical Services</i>	40
Industry in Focus: <i>Information Services</i>	41
The New Economy: Incorporating Innovation & Technology	42
Patents	42
Venture Capital	43
Research and Development Spending	44
Conclusion	45
Conclusion	46

EXECUTIVE SUMMARY

South Carolina continues to make strides in improving its competitiveness as the state competes in the global economy.

South Carolina remained one of the nation's fastest growing states, with its population hitting 4.4 million in 2007. It is now the 24th most populous state. South Carolina is expected to add over 300,000 people between 2007 and 2015. In 2007, the state had the 8th highest number of net migrants in the United States.

The state's labor force grew to more than 2.1 million in 2007, with urban areas leading labor force growth. Jobs in South Carolina in 2007 grew at their highest rate since 2001, up 2.3 percent to more than 1.95 million. South Carolina is expected to add over 200,000 jobs between 2006 and 2016, representing growth of 11 percent. All major industry sectors except manufacturing are projected to grow. Education and health services have been the state's fastest growing sector, adding more than 57,000 jobs during the past 10 years. During the same period, manufacturing lost over 91,000 jobs.

The amount of new planned capital investment in South Carolina grew by 35 percent in 2007 to more than \$4 billion, representing more than 15,000 new jobs recruited to the state. Average wages for these new jobs were well above the state average wage. Foreign companies accounted for 51 percent of the investment and 31 percent of the new jobs. The automotive industry saw the largest share of investment and jobs. Companies in manufacturing industries accounted for almost 92 percent of all capital investment and 72 percent of all new jobs in the state.

One of the important factors in South Carolina's growth was exports, which were up 22 percent in 2007, well above the growth rate for the United States and Southeast. Transportation equipment made up over a third of the state's exports. Germany surpassed Canada as South Carolina's largest export market. Foreign direct investment was up over eight percent in South Carolina in 2005, compared to four percent in the United States and two percent in the Southeast. However, employment in foreign-owned businesses, centered in manufacturing, fell nine percent to 114,100.

Overall, inflation-adjusted growth of South Carolina's economic output was 3.5 percent in 2006, compared to 3.4 percent for the United States and Southeast. South Carolina's urban areas account for almost 75 percent of the state's output.

Manufacturing remains significant to South Carolina's economy, but its share of the state's jobs has declined from 20 percent in 1997 to 13 percent in 2007. South Carolina still continues to attract manufacturing investments, particularly in the transportation sector, which now accounts for about 14 percent of the state's manufacturing jobs. Because of the state's manufacturing presence and trade growth, the transportation and warehousing has grown substantially.

Professional, scientific, technical and information services continue to grow in importance to the state's economy, with many such jobs providing above-average wages. These include legal, engineering, accounting and telecommunications businesses.

Today's jobs require South Carolinians to be more skilled than before. Jobs in the state tend to be more concentrated at medium skill levels compared to the United States. Per capita income reached \$31,013 in South Carolina in 2007. That was 80 percent of the national level, and ranked the state 48th. South Carolina's metropolitan statistical areas all have a cost of living that is below the national average.

South Carolinians' educational levels continue to rise, with more than 80 percent of the state's residents 25 and older holding high school diplomas. However, South Carolina still lags behind the nation in terms of educational attainment.

Finally, economic differences exist between South Carolina's urban and rural areas. Population growth has been centered in urban areas. Labor force growth has been much lower in rural areas than urban areas due to slower population and job growth. Additionally, a significant income gap exists between urban and rural areas in the state. The varied fortunes of urban versus rural areas are not unique to South Carolina. However, developing growth strategies tailored toward each area's unique characteristics can facilitate narrowing that gap and help make South Carolina an even more attractive place to live and work.

2007 YEAR IN REVIEW

The U.S. and South Carolina saw a year of growing economic uncertainty during 2007. The housing slump that began in 2006 intensified, energy prices surged, and waves of heightened risk aversion spread through financial markets during the last months of the year. Yet, despite these significant headwinds, the South Carolina economy posted a year of generally strong economic growth in 2007. The pace of economic growth statewide was slowing heading into 2008, but for the full year 2007, South Carolina posted the fastest rate of total non-farm employment growth since 1999, and the lowest unemployment rate since 2001.

Of course, there are continuing challenges also. South Carolina's per capita income increased 4.2 percent during 2007 according to preliminary figures. This trailed the national average growth of 5.2 percent, and marks the slowest growth since 2003. However, these figures are slated to be revised later in 2008, whereas the employment growth figures given above have already gone through the annual revision process.

The most discussed economic headwind during 2007 was the drop in housing markets. New home sales for the U.S. declined more than 26 percent during 2007. Plummeting sales of homes and condos across South Carolina contributed to a substantial pullback in new home construction. Single family building permits in South Carolina declined by nearly 24 percent in 2007. There are a few important notes on this. First, the dramatic drop in new home construction has been necessary in order to get demand and supply back in line in the state's housing markets.

Second, the declines in home sales and construction are coming after several years of record setting growth. Looking back over the housing market indicators for the last several decades, it becomes evident that many of the problems we are now confronting were caused by the fact that the housing market never experienced a correction during the previous recession of the early 2000s. The housing market over the last year has actually been trying to work through imbalances that developed not only during the economic expansion since 2002, but also the economic expansion of the 1990s.

For a more detailed look at the state's economic performance during 2007, we can start with an analysis of job growth by industry. Overall, total non-farm employment in South Carolina grew 2.3 percent in 2007. Again, this was the fastest job growth since 1999 when jobs grew by 2.7 percent. Meanwhile, the U.S. economy posted net job growth of 1.1 percent. A look at the major sectors in South Carolina suggests that the fastest growth has been in health care, leisure and hospitality, professional and business services, wholesale trade, and financial activities.

However, one of the important storylines for 2007 and into 2008 has been the current state of manufacturing in South Carolina. The state's manufacturing sectors actually turned in their best year for job growth since 2000. In durable goods industries, jobs grew 2.1 percent in 2007. Meanwhile, jobs in nondurable goods industries declined by 4.6 percent. While jobs continued to be shed in these nondurable goods sectors, the 2007 decline marked the slowest rate of job loss in these sectors since 2000. For an industry losing jobs year after year, it is a positive anytime the rate of job losses can be partially stemmed.

This relative strength of manufacturing recently is due to the growth of exports in response to the weak dollar. The weakened U.S. dollar has contributed to a significant surge in U.S. exports and a rebound in U.S. net exports (exports minus imports). In fact, without the strength of net exports over the last several quarters, the downturn in housing would have likely resulted in a recession during 2007.

The growth of exports directly benefits South Carolina as we continue to have a large manufacturing presence. The South Carolina Department of Commerce recently reported that exports from South Carolina grew 21.6 percent in 2007. This growth translates into gains in production, employment and income across the state.

The current economic slowdown stands in an interesting contrast to the recession of the early 2000s. At that time, the downturn in South Carolina began during the summer of 2000 as manufacturing declines pulled down overall employment in the state. What followed was a dramatic loss of manufacturing jobs that contributed to several years of overall job loss in South Carolina. As such, it was our large presence of manufacturing that directly contributed to the severity of that recession. This time around, it appears as though that same large presence of manufacturing may work to dampen the effects of the current economic slowdown thanks to the importance of international trade in South Carolina.

Overall, 2007 was a year of solid economic growth for South Carolina. And, like previously in 1999, this will likely stand out as the peak of economic growth for the current economic expansion.

Dr. Don Schunk

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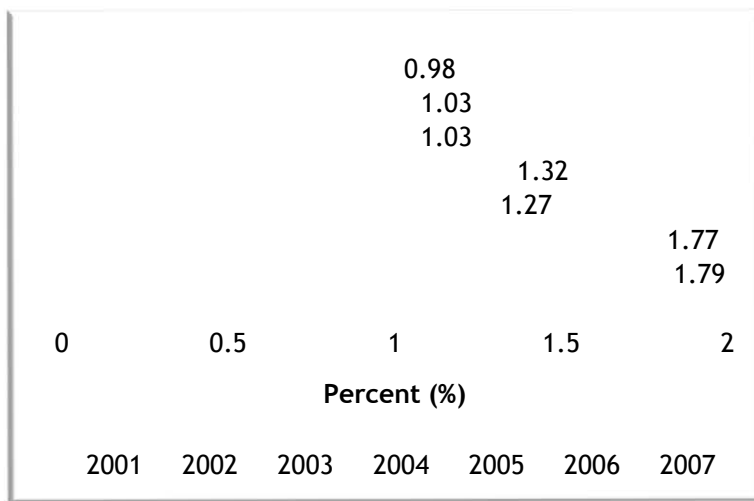
Conway, South Carolina

1. POPULATION & DEMOGRAPHICS

State Population Growth

South Carolina's population continued to expand at a rapid rate in 2007, as the state grew by more than 77,000 people in a single year. With an estimated 4.407 million people now living in South Carolina, according to the U.S. Census Bureau, South Carolina grew at nearly the same rapid rate during the June 2006 to June 2007 period as it did in the previous 12 months (Figure 1.1). At 1.79 percent, the Palmetto State was the 10th fastest growing state in the union for the period ending July 1, 2007. This marked the second straight year South Carolina finished among the top 10 states in percentage growth rate, and the state has been among the top 20 states in growth rate every year since the 2000 census.

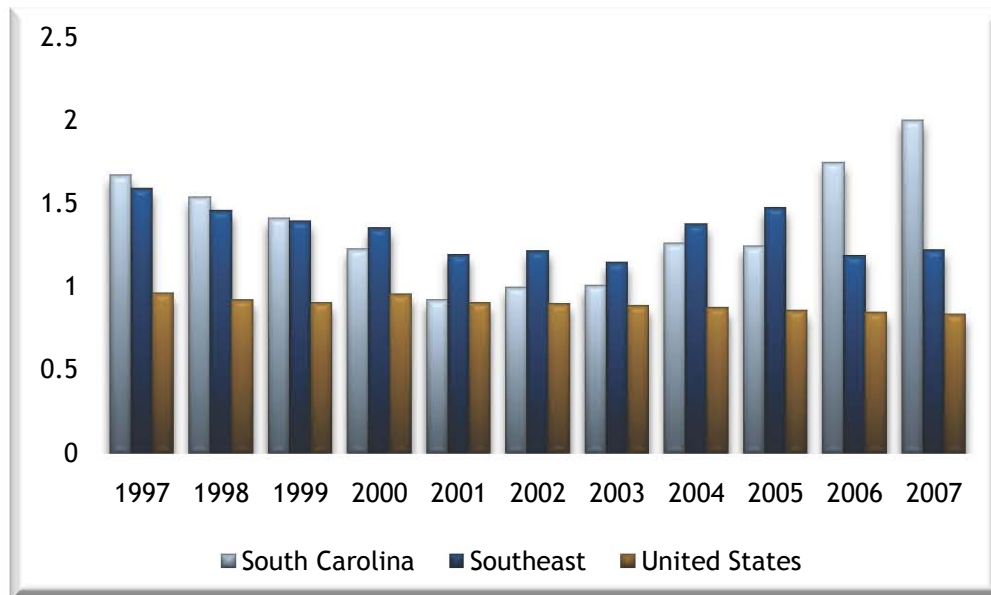
Figure 1.1: South Carolina Population Growth



Source: U.S. Census Bureau

South Carolina is not only a leading state in the rapidly growing South, but is also one of a few states continuing to see its growth rate continue to rise. While previously leading southern states like Florida have seen their population growth rates slow, South Carolina - along with its neighbors North Carolina and Georgia - continue to see their populations grow at faster and faster rates. In the last two years, the population growth rate of South Carolina has been significantly higher than that of the United States and the Southeast region (Figure 1.2).

Figure 1.2: Population Growth Rate

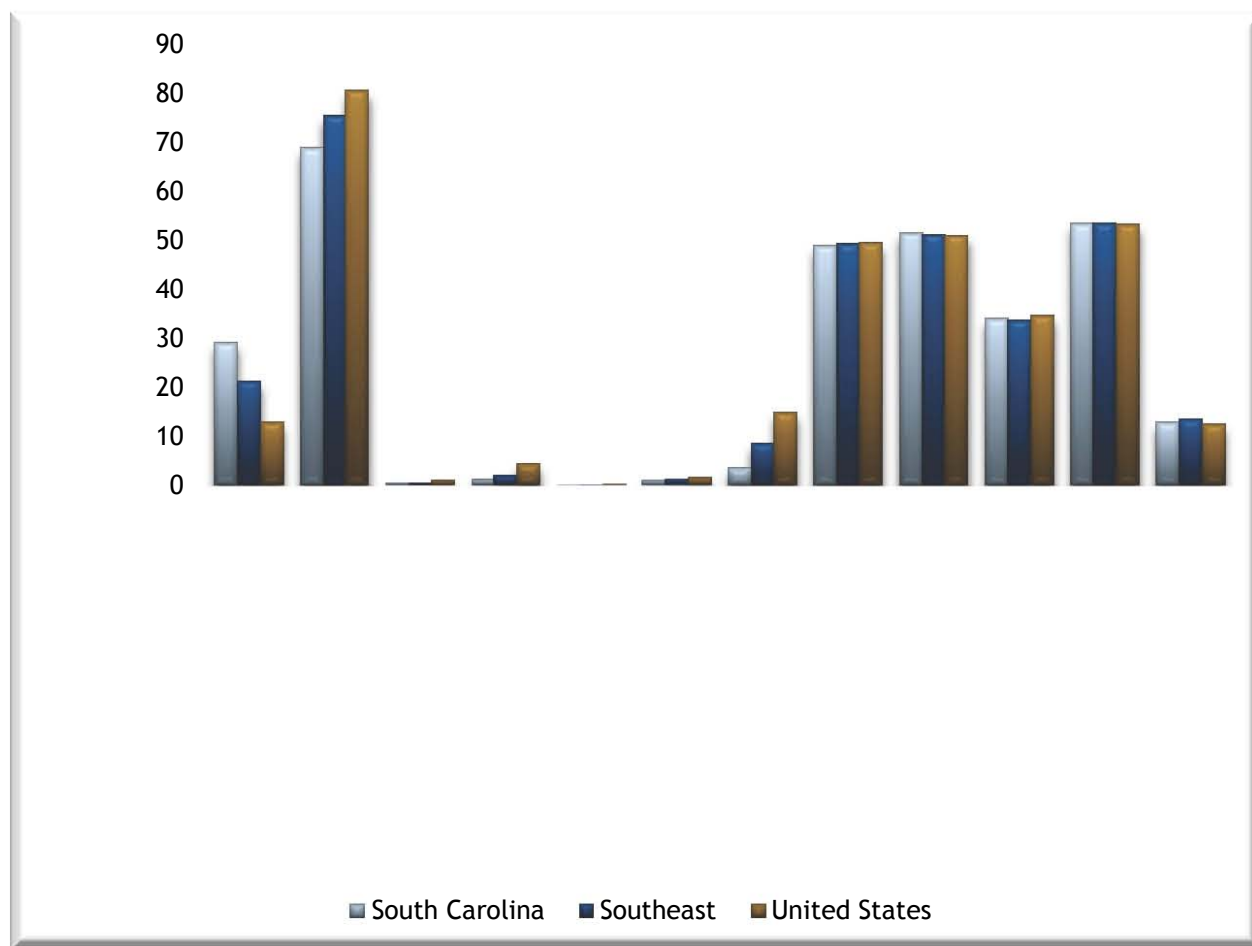


Source: U.S. Census Bureau

Approximately 30 percent of South Carolina's population growth—around 18,400 people—was due to the natural population increase caused by more births than deaths in the state. The remaining growth—around 59,300 people—came from people moving to the state. According to the Census Bureau, since 2000, South Carolina has grown by more than 384,000 people, or about 40,000 more people than currently reside in Richland County. In fact, if this new population growth was its own county, it would be the second-largest county in South Carolina, trailing only Greenville. Because of this rapid growth in recent years, South Carolina has passed both Kentucky and Louisiana (which saw an exodus after Hurricane Katrina from which it has still yet to fully recover) in total population, making the Palmetto State the 24th largest state in the union.

In terms of gender and age groups, South Carolina's population is similar to both the Southeast region and the nation. However, South Carolina has a higher percentage of African Americans and lower percentage of whites and Latinos (Figure 1.3).

Figure 1.3: Demographic Characteristics 2006



Source: U.S. Census Bureau

County Population Growth

While the state continues to grow at a relatively fast rate when compared to the rest of the nation, the population growth rates for the state's 46 counties have varied greatly, as the state's population continues to shift toward more centralized locations. The largest growth rates in 2007 occurred in growing metropolitan areas. York, Dorchester and Horry counties, in the Charlotte, Charleston and Myrtle Beach metropolitan areas, led the state, each growing more than four percent in a single year. These same three counties have led South Carolina's population growth since 2000, as well, albeit in a different order (Tables 1.1 and 1.2). Growth in rural areas has been significantly lower than that in urban areas over the 2000-2007 period (Tables 1.3 and 1.4).

Table 1.1: County Population Growth,
2006-2007

Rank	County	Growth (%)	Population Change
1	York	5.24	10,395
2	Dorchester	4.89	5,753
3	Horry	4.24	10,171
4	Berkeley	3.16	5,008
5	Greenville	2.82	11,734
42	Lee	-0.86	-173
43	Allendale	-0.96	-102
44	Union	-1.03	-290
45	Fairfield	-1.24	-293
46	Bamberg	-1.31	-205
State		1.79	77,601

Source: U.S. Census Bureau

Table 1.2: County Population Growth,
2000-2007

Rank	County	Growth (%)	Population Change
1	Dorchester	27.70	26,791
2	Horry	26.15	51,803
3	York	26.01	43,110
4	Beaufort	20.67	25,236
5	Lancaster	19.54	11,996
42	Williamsburg	-4.55	-1,690
43	Chester	-4.63	-1,578
44	Allendale	-6.47	-725
45	Bamberg	-6.98	-1,160
46	Union	-7.06	-2,108
State		9.55	384,081

Table 1.3: County Population Growth,
2006-2007

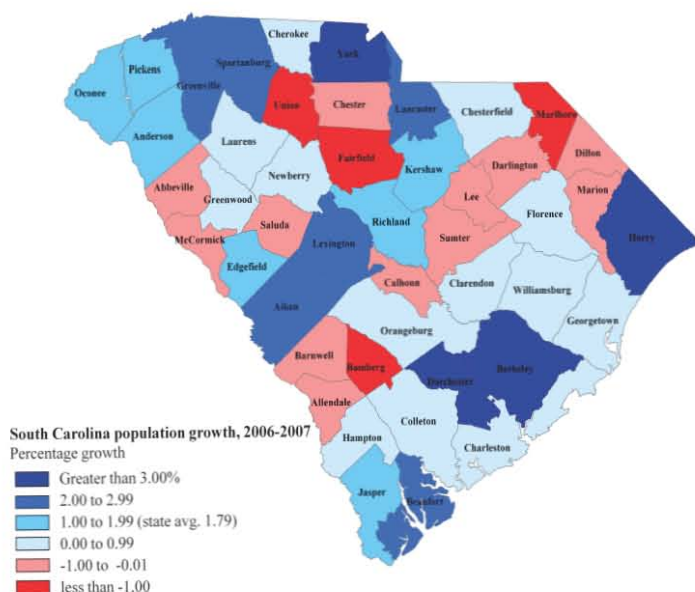
County	Growth (%)	Population Change
Urban Areas	2.15	70,759
Rural Areas	0.65	6,842

Note: Urban areas are Metropolitan Statistical Areas
Source: U.S. Census BureauTable 1.4: County Population Growth,
2000-2007

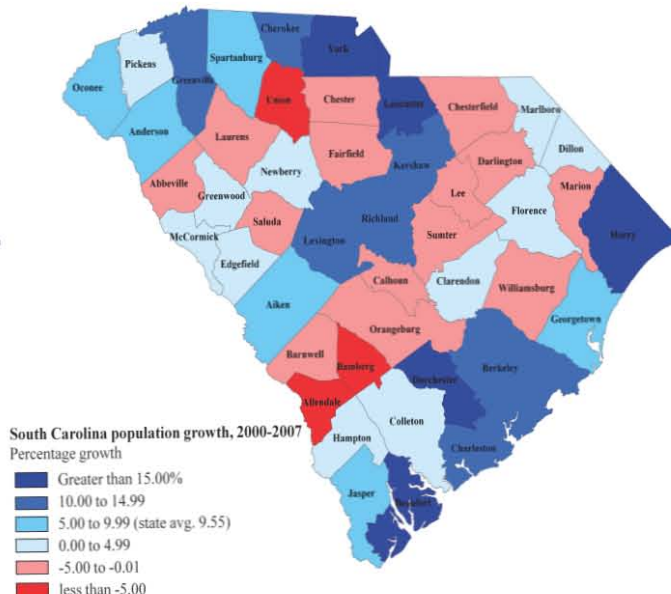
County	Growth (%)	Population Change
Urban Areas	11.39	342,895
Rural Areas	4.07	41,186

At the same time, according to the U.S. Census Bureau, 16 South Carolina counties shrank in size last year, with four counties—Bamberg, Fairfield, Marlboro and Union—losing more than a full percentage point of their populations (Figures 1.4 and 1.5).

**Figure 1.4: County Population Growth,
2006-2007**



**Figure 1.5: County Population Growth,
2000-2007**



As in recent years, many of the counties with dwindling populations were located in a corridor running across the state, from Chesterfield County in the north, through the Pee Dee and Lower Savannah areas to Barnwell and Allendale counties in the south. This area, occasionally touching but primarily running west of Interstate 95, accounts for nine of the 17 South Carolina counties that have seen their populations drop since 2000.

The fact that those counties are west of the Interstate posits a logical explanation as to why some counties are shrinking, namely a lack of the significant infrastructure needed to attract jobs and grow a community. In fact, of the ten South Carolina counties that have seen their population drop by more than two percent since 2000, eight do not have an interstate crossing their border.

Along the same lines, only two of these ten counties are part of a Metropolitan Statistical Area, as defined by the U.S. Office of Management and Budget. Neither of these two counties—Fairfield and Saluda—contains a “principal city” for the Columbia MSA, of which they are a part. As a result, the number of people living in Metropolitan Statistical Areas in South Carolina grew to 72.9 percent, up from 72.6 percent in 2006 and 71.5 percent in 2000. The only Metropolitan Statistical Area bucking this trend continues to be single-county Sumter MSA, whose population now barely qualifies as a metropolitan area.

At the same time, Beaufort County and nearby Jasper County—which together make up the Beaufort Micropolitan Statistical Area—continues to be the major non-urban area seeing expansive growth in the state. Beaufort County is already significantly larger than Sumter County, and should current growth trends continue, it would not be surprising to see Sumter and Beaufort swap classifications. Were that the case today, the number of South Carolinians living in an MSA would be 74.4 percent, and nearly 95 percent of all of the state’s population growth would be in MSAs.

Educational Attainment

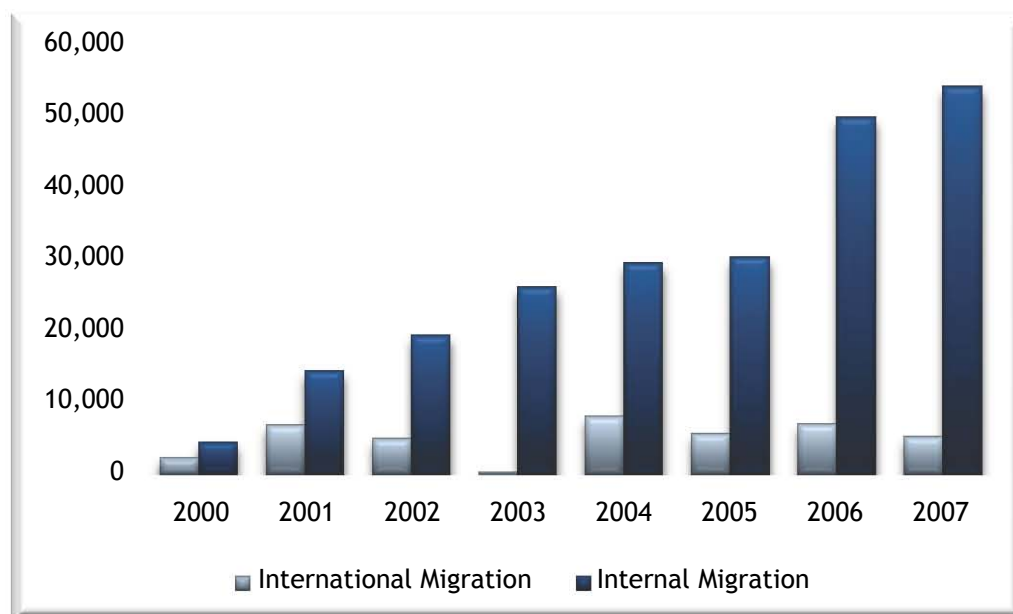
South Carolina's education level continues to rise as attainment of both high school diplomas and postsecondary degrees increases. As of the 2000 census, 76.3 percent of South Carolinians over the age of 25 were high school graduates. By 2006, that number had increased to 81.3 percent. In 1990, only 68.3 percent of South Carolinians over the age of 25 had either a high school diploma or its equivalent.

Still, South Carolina lags well behind national averages in various components of educational attainment. According to the most recent Census data, South Carolina ranked 42nd in the nation (out of 50 states and the District of Columbia) in high school diplomas. Despite recent improvement, South Carolina remains well behind the national average of 84.1 percent. South Carolina ranks 40th in the nation in Bachelor's degrees (22.7%), behind the national average of 27.0 percent, and 38th in the nation in advanced degrees, with 7.9 percent, behind the national average of 9.9 percent. Finally, of the 20 counties highlighted in 2006 Census data, high school graduation rates ranged from 73.2 percent in Darlington County to 91.2 percent in Beaufort County.

Migration

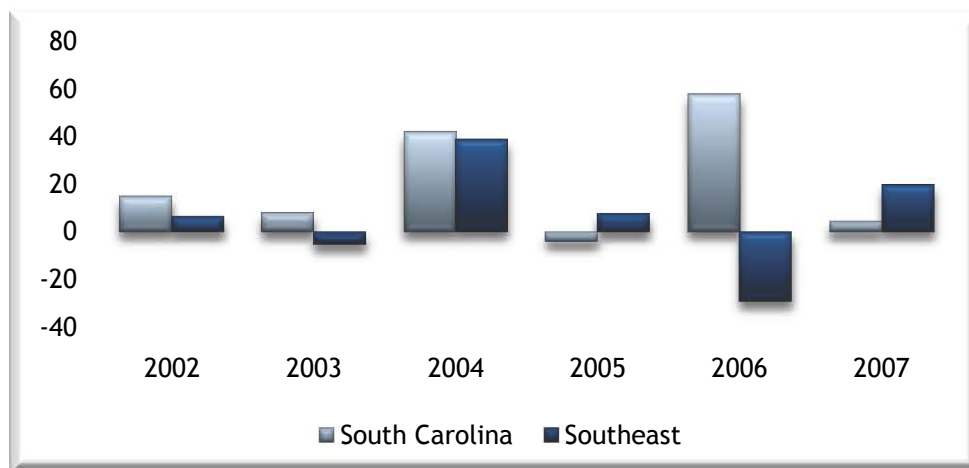
Net migration to the state of South Carolina has been increasing, mostly due to people coming to the state from other parts of the United States (Figure 1.6). In recent years, growth rates in migration to South Carolina have generally been higher compared to the Southeast, with significantly high net migration rates in 2004 and 2006 (Figure 1.7). South Carolina ranked 8th in terms of the number of net migrants among all states in 2007 and 10th in terms of net migration growth rate from 2006 to 2007.

Figure 1.6: South Carolina Net Migration



Source: U.S. Census Bureau

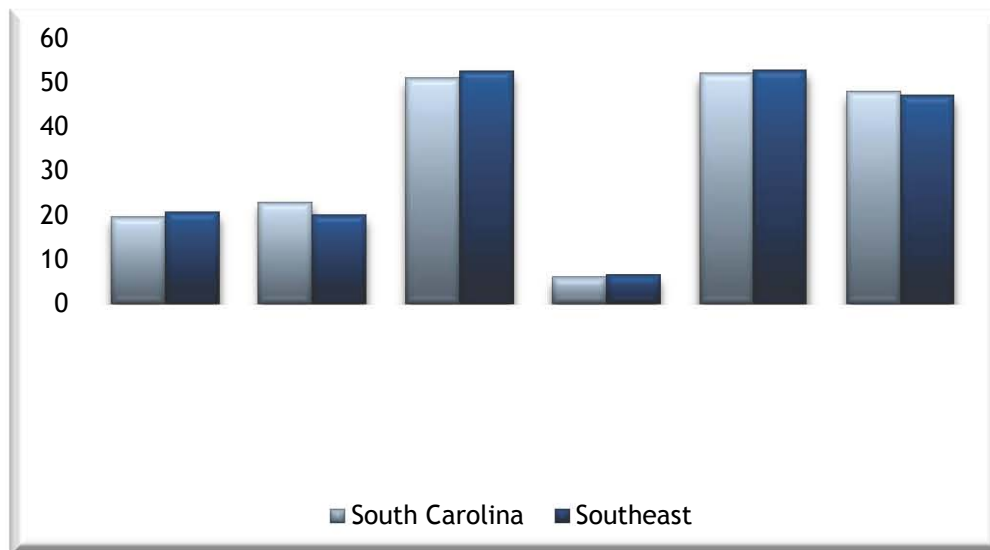
Figure 1.7: Net Migration Growth Rate



Source: U.S. Census Bureau

There is no significant difference between South Carolina and other areas in terms of the age of people migrating in. Almost half of in-migrants in 2006 were in their prime working ages, between 25 and 64 years old. Also, in-migrants were split almost evenly between males and females (Figure 1.8).

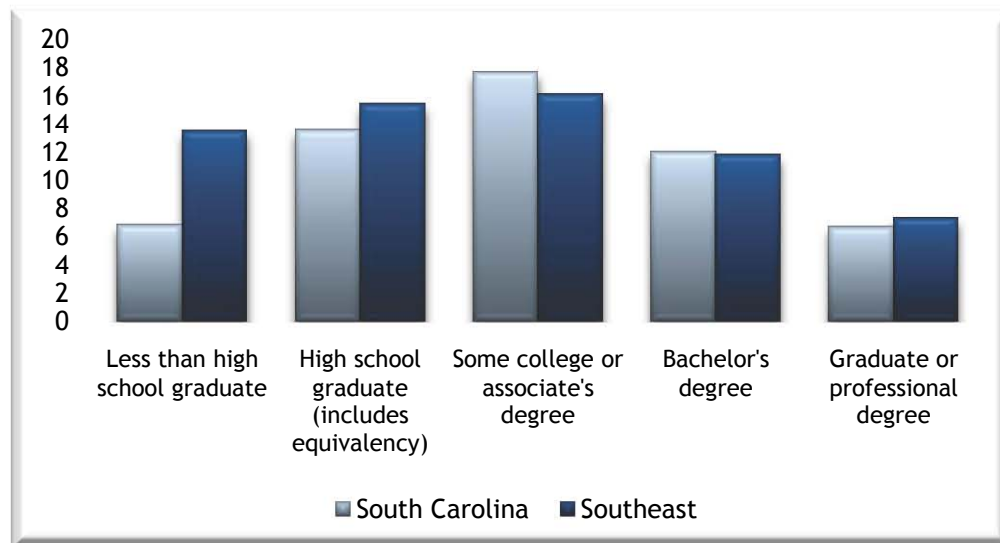
Figure 1.8: In-Migrant Characteristics 2006



Source: U.S. Census Bureau

In 2006, in-migrants with less than a high school degree were only six percent of in-migrants to South Carolina while the same group made up 13 percent of in-migrants to the Southeast region. South Carolina also attracted a higher percentage of people with some college or associate degree compared to the Southeast. But, the percentage of migrants with a graduate or professional degree was lower compared to the Southeast (Figure 1.9).

Figure 1.9: Educational Attainment of Migrants 2006



Source: U.S. Census Bureau

Projections

Between 2007 and 2015, South Carolina's population is projected to grow by seven percent, or over 300,000 people. Urban and rural areas are both expected to grow at that same seven percent rate. That is despite four rural counties—Bamberg, Lancaster, Marlboro and Williamsburg—being projected to lose population between 2007 and 2015. Current urban areas are expected to have a population increase of over 236,000 people, while rural areas add 74,000. Edgefield County's projected growth rate—15.4 percent—is the highest of any county's. Lexington County is expected to add more people than any county—over 30,000.

Conclusion

Simply put, an area's population, whether within a county, state or nation, will migrate to the areas where people feel they and their families can have the most success. Whatever the reason ultimately influencing them—economic opportunity, quality of life, etc.—people indicate their favorite locales with their collective feet. In this regard, South Carolina can take pride in the fact that so many non-natives continue to choose the Palmetto State as the best option for their families. It is noteworthy that rural areas are projected to have the same growth as urban areas over the next several years. However, there are rural areas of the state which not only fail to attract people from out of state, but also are seeing their native populations leave for better opportunities. By determining not only what these areas lack, but also what growing areas are offering, the state can improve itself overall.

2. ECONOMIC GROWTH

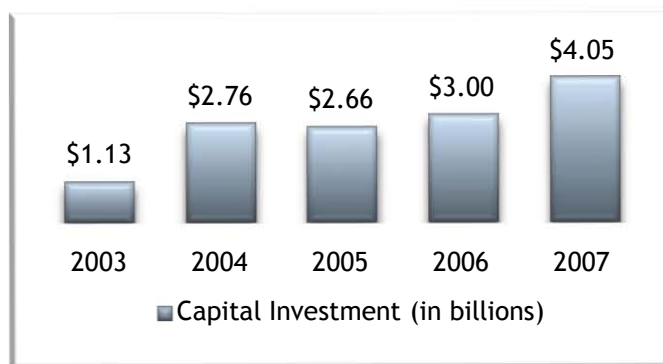
Capital Investment

In 2007, South Carolina continued to experience rapid growth in the amount of investment and jobs created in the state. Of projects coordinated through the South Carolina Department of Commerce, 103 new firms and 76 existing firms invested just over \$4 billion in the state. This amount represents 35 percent growth over 2006 and encompasses over 15,000 jobs (Table 2.1). Since 2003, South Carolina's capital investment has grown over 250 percent (Figure 2.1).

Table 2.1: Jobs and Firms Created

2003	89	8,700
2004	105	13,491
2005	137	12,370
2006	139	14,420
2007	179	15,666
Growth (06-07)	28.7%	8.6%

Figure 2.1: Capital Investment



Source: S.C. Department of Commerce

Note: Only reports projects coordinated through the S.C. Department of Commerce, and thus only represents a subset of total investment.

Average wage data was provided by companies for 11,593 (74%) of the jobs won in 2007. Using a weighted mean process, the average hourly wage of workers in these jobs was \$18.78—or \$39,062 per year. For comparison purposes, South Carolina's average statewide annual wage was \$35,022 (based on 4th quarter 2006-3rd quarter 2007 data from the Bureau of Labor Statistics).

Investment in rural areas (those not classified as a part of a Metropolitan Statistical Area by the Census Bureau) totaled \$676.7 million in 2007, or 16.7 percent of all investment statewide. Jobs associated with this rural investment totaled 5,436, or 34.7 percent of all new jobs.

Investments by foreign companies accounted for 50.9 percent of all capital investment and 30.8 percent of all new jobs. The average wage of jobs created by foreign investment was \$18.44 (based on average wage data for 97% of foreign jobs). Top investing countries in South Carolina are listed in Table 2.2. Germany led in both capital investment and jobs, contributing 34.3 percent of all investment dollars and 18.5 percent of all new jobs. France, Switzerland, Canada and Sweden rounded out the top five.

Table 2.2: Foreign Investment & Jobs

Country	Capital Investment (% of total)	Jobs (% of total)
Germany	34.3%	18.5%
France	8.7%	0.6%
Switzerland	1.7%	1.5%
Canada	1.4%	2.6%
Sweden	1.1%	2.0%
Total Foreign	50.9%	30.8%

Source: S.C. Department of Commerce

Notes: *Average hourly wages by industry were computed using a weighted mean of average wage data provided by companies. The sample for each industry was based on the following percentage of jobs: Automotive Industry—66.1% of all automotive jobs; Plastics Industry—68.4% of all plastics jobs; Aerospace Industry—100% of all aerospace jobs; Manufacturing industries—67.7% of all manufacturing jobs.

**Annual earnings based on 40 hour work weeks and a 52-week annual period.

Table 2.3: Investment and Jobs by Industry

Industry	Capital Investment (% of total)	Jobs (% of total)	Average Hourly Wage*	Annual Earnings**
Automotive	32.3%	18.1%	\$21.15	\$43,992
Plastics	5.2%	6.0%	\$16.56	\$34,444
Aerospace	2.0%	2.5%	\$20.01	\$41,621
Total Manufacturing	91.9%	71.8%	\$17.27	\$35,922
Total	100%	100%	\$18.78	\$39,062

Investment by industry is shown in Table 2.3. The automotive industry accounted for the largest share of capital investment and jobs in 2007, comprising 32.3 percent of all investment and 18.1 percent of jobs. The average wage of new jobs created in the automotive industry was \$21.15, well above the average for all jobs. The average wage of jobs created in the plastics industry was well below average at \$16.56. Finally, companies in manufacturing industries accounted for almost 92 percent of all capital investment and 72 percent of all new jobs in the state. The average hourly wage of manufacturing jobs created was \$17.27.

Output

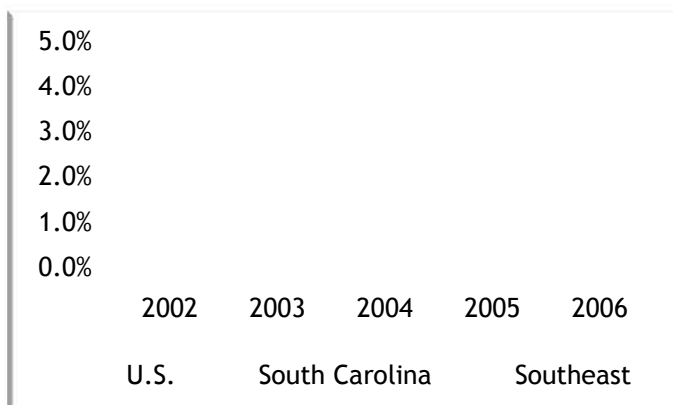
Gross State Domestic Product

In 2006, the latest year for which figures are available, South Carolina's gross state domestic product (GSDP) was just over \$149 billion (Table 2.4). This amount represents a real, inflation-adjusted 3.5 percent growth over the previous year, edging out both the nation's and Southeast's 3.4 percent growth rate over the same period. Figure 2.2 displays the growth rate of South Carolina's real GSDP since 2002. In 2002 and 2003, South Carolina's growth rate was slightly ahead of the U.S. and the Southeast. In 2004, however, real growth dipped to just 0.5 percent while U.S. and Southeast growth continued to rise. This drop was largely due to decreases in manufacturing production. The sector, South Carolina's largest, saw output decline over nine percent at that time. Overall growth rebounded in 2005 and 2006.

Table 2.4: Real GSDP* (billions of 2006 \$)

2002	\$133	1.5%	\$11,624	1.5%	\$2,566	1.7%
2003	135	3.4	11,908	2.4	2,641	2.9
2004	139	0.5	12,354	3.7	2,750	4.1
2005	144	2.9	12,721	3.0	2,859	4.0
2006	149	3.5	13,149	3.4	2,955	3.4
<i>Growth 02-06</i>		<i>10.7</i>		<i>13.1</i>		<i>15.2</i>

Figure 2.2: Real GSDP Growth Rates

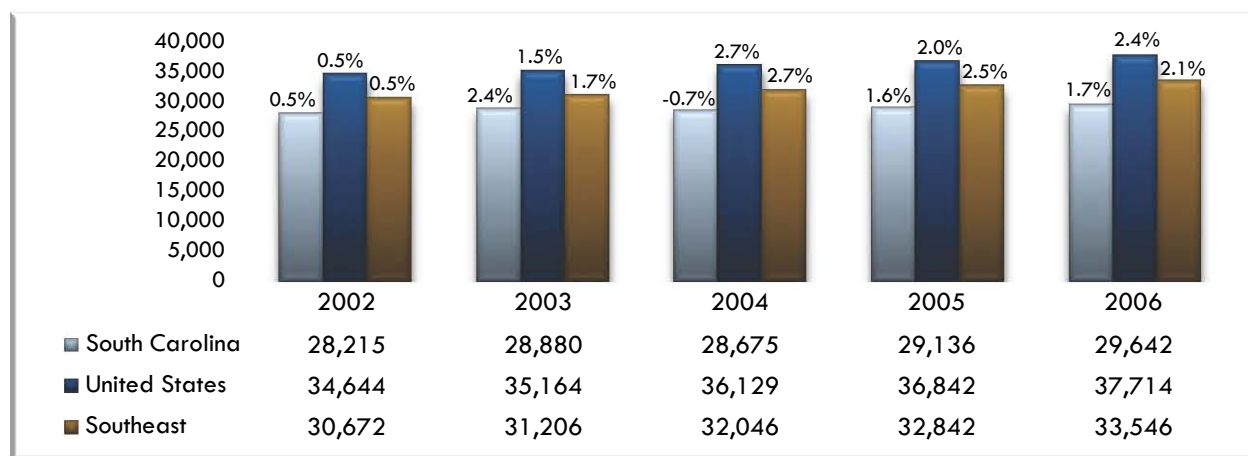


Source: Bureau of Economic Analysis, U.S. Department of Commerce

Notes: * Real figures in 2006 U.S. dollars calculated using BEA using chain-weighted quantity indexes which account relative mix of goods and output within individual regions. ** Southeast Region includes Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia.

Figure 2.3 shows GSDP per capita using real, inflation-adjusted dollars. Overall, South Carolina lagged behind the U.S. and the Southeast over the 2002-2006 period. The growth rate is shown at the top of each column. While South Carolina grew at a faster rate in 2003, it lost ground in 2004 and has not had the same per capita growth rate since. While South Carolina's GSDP is growing, its population is growing faster than many other areas of the United States.

Figure 2.3: Real Per Capita Gross State Domestic Product*



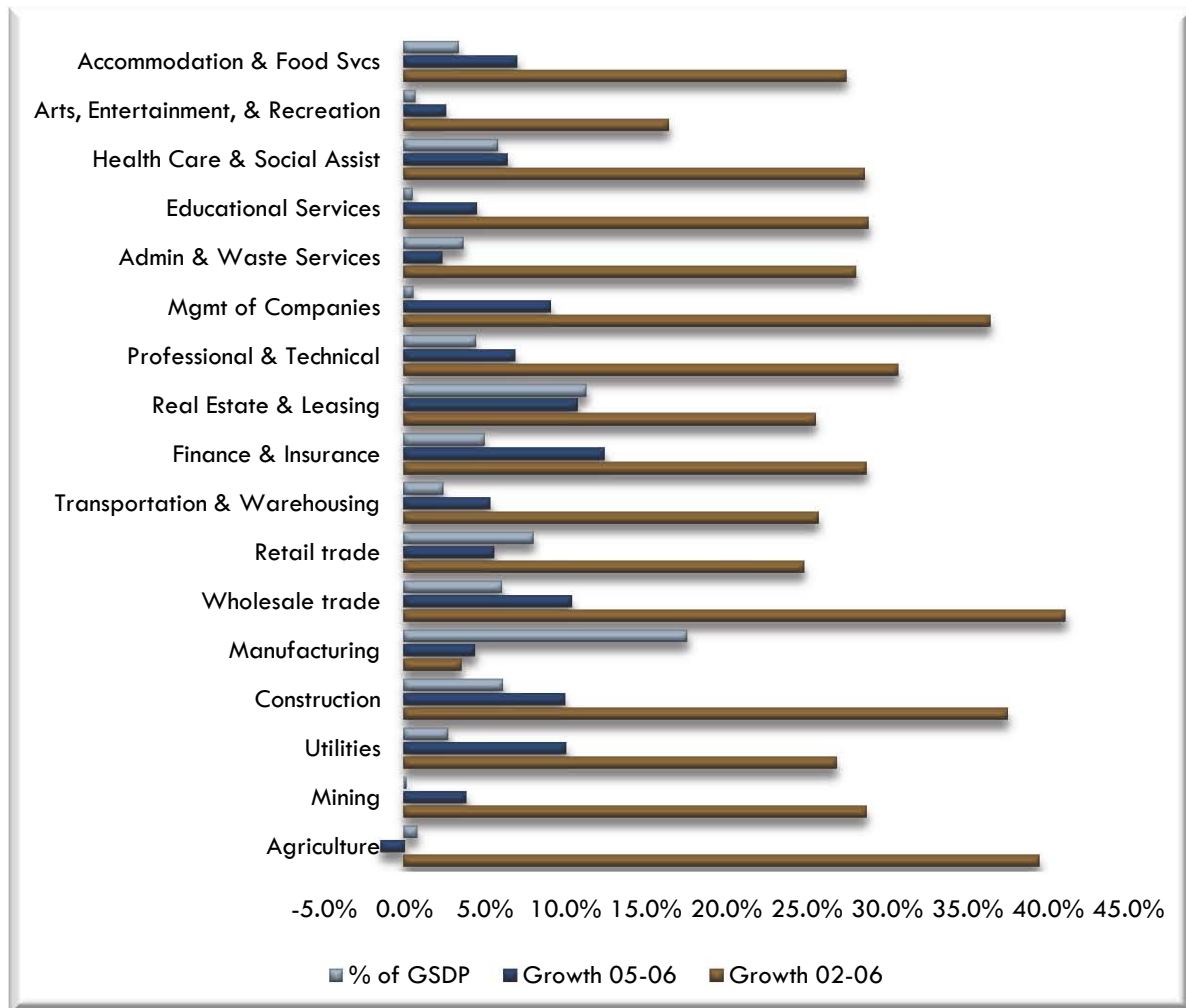
Source: Bureau of Economic Analysis, U.S. Department of Commerce

Note: * Real figures in 2000 U.S. dollars calculated using BEA chain-weighted quantity indexes which account relative mix of goods and output within individual regions.

Figure 2.4 breaks down GSDP by its industry components and shows the percentage each contributes to total GSDP, as well as the growth rate of each. The manufacturing industry accounts for a larger amount of GSDP than any other industry—17.6 percent. Real estate rental and leasing is second, making up 11.3 percent of GSDP, and retail trade is third at 8 percent. The next item to notice is the low growth rate of the manufacturing industry, growing only 4.4 percent from 2005 to 2006 and 3.5 percent since 2002. The fastest

growing sectors from 2005 to 2006 were finance and insurance, real estate rental and leasing, wholesale trade, utilities, construction and management of companies.

Figure 2.4: Gross State Domestic Product by Industry



Source: Bureau of Economic Analysis, U.S. Department of Commerce

Gross Regional Domestic Product

South Carolina's urban areas (Metropolitan Statistical Areas—MSAs) accounted for 72.8 percent of gross state domestic product in 2005. Table 2.5 shows gross regional product for each of the state's eight MSAs, reported in 2005 dollars. The three MSAs that account for the largest percentage of the state's total GSDP are Columbia, Charleston-North Charleston and Greenville-Mauldin-Easley. Between 2002 and 2005, the Charleston-North Charleston MSA experienced the largest growth rate at 13.3 percent. Myrtle Beach-Conway-North Myrtle followed with 11.7 percent growth, and Columbia was third with 8.2 percent. Together, output of all urban areas grew 7.1 percent between 2002 and 2005.

Table 2.5: Real Gross Regional Product (2005 \$)

Metropolitan Statistical Area	2002	2003	2004	2005	Growth 02-05	% of GSDP (2005)
Anderson	4,003	4,270	4,233	4,273	6.7%	3.1%
Charleston-North Charleston	19,863	20,676	21,351	22,503	13.3%	16.1%
Columbia	24,318	25,032	25,776	26,319	8.2%	18.8%
Florence	6,075	6,230	6,223	6,330	4.2%	4.5%
Greenville-Mauldin-Easley	21,905	22,529	21,672	22,250	1.6%	15.9%
Myrtle Beach-Conway-North Myrtle	7,618	7,815	8,174	8,513	11.7%	6.1%
Spartanburg	8,754	9,054	8,901	9,000	2.8%	6.4%
Sumter	2,622	2,673	2,727	2,744	4.7%	2.0%
MSA Total	95,158	98,279	99,056	101,932	7.1%	72.8%
South Carolina	131,003	135,440	136,177	140,088	6.9%	

Source: Bureau of Economic Analysis, U.S. Department of Commerce

Notes: * Real figures in 2005 U.S. dollars calculated using BEA chain-weighted quantity indexes which account relative mix of goods and output within individual regions.

Real output per worker, a measure of productivity provided in 2005 dollars, is shown in Table 2.6. The highest level of output per worker was found in the Spartanburg MSA, followed by the Charleston-North Charleston MSA, the Greenville-Mauldin-Easley MSA and the Myrtle Beach-Conway-North Myrtle MSA. Sumter and Anderson had the lowest productivity of the MSAs. The Greenville-Mauldin-Easley and the Myrtle Beach-Conway-North Myrtle MSAs both declined in output per worker between 2002 and 2005. Anderson, Charleston-North Charleston and Florence experienced the most productivity growth over the period.

Table 2.6: Real Output Per Worker (2005 \$)

Metropolitan Statistical Area	2002	2003	2004	2005	Growth 02-05
Anderson	49,239	52,596	51,496	51,551	4.7%
Charleston-North Charleston	58,912	60,104	60,028	61,442	4.3%
Columbia	58,244	59,431	59,869	59,857	2.8%
Florence	55,801	57,795	57,533	57,995	3.9%
Greenville-Mauldin-Easley	62,976	64,117	60,935	60,968	-3.2%
Myrtle Beach-Conway-North Myrtle	60,885	60,892	60,980	60,477	-0.7%
Spartanburg	61,014	62,789	61,555	61,655	1.1%
Sumter	48,730	49,870	50,166	50,314	3.3%
MSA Total	58,918	60,232	59,485	59,812	1.5%
South Carolina	57,991	59,474	58,710	59,196	2.1%
Southeast	62,302	63,461	64,339	65,170	4.6%
United States	67,848	69,124	70,470	71,036	4.7%

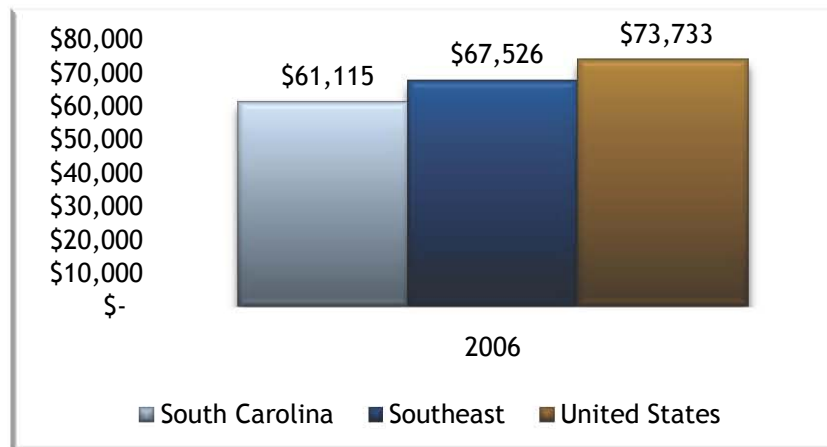
Source: Bureau of Economic Analysis, U.S. Department of Commerce

Notes: * Real figures in 2005 U.S. dollars calculated using BEA using chain-weighted quantity indexes which account relative mix of goods and output within individual regions.

South Carolina, as a whole, lagged behind both the Southeast (by 9%) and the United States (by 20%) in worker productivity in 2005. Additionally, South Carolina's growth in output per worker (2.1%) lagged behind both the

Southeast (4.6%) and the United States (4.7%) between 2002 and 2005. In 2006, South Carolina again was behind the Southeast and U.S. productivity measures by approximately the same amount as in 2005 (Figure 2.5).

Figure 2.5: Output Per Worker



Source: Bureau of Economic Analysis, U.S. Department of Commerce

Trade

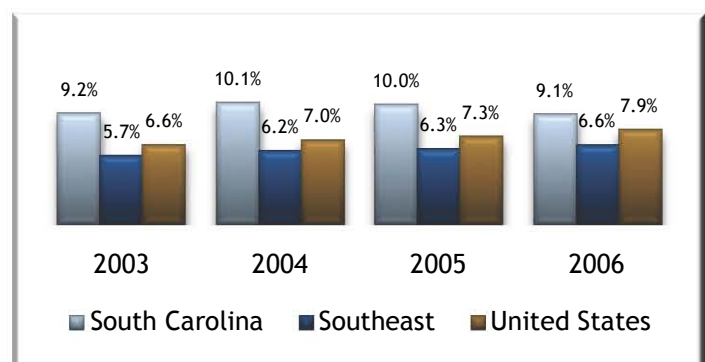
Exports

Exports from South Carolina grew 21.6 percent from 2006 to 2007, substantially higher than the 12.1 percent growth rate of the U.S. and the 14.7 percent growth rate of the Southeast. This was the 9th highest growth in the nation. Relative to other states, South Carolina experienced a slowdown in export growth in 2005 and 2006, yet regained momentum in 2007 (Table 2.7). Exports contributed more to South Carolina's GSDP than they did to either the U.S. or other Southeastern states (Figure 2.6).

Table 2.7: Growth Rate of Exports

2003	21.9%	6.0%	4.4%
2004	13.6%	15.7%	13.0%
2005	4.2%	9.3%	10.6%
2006	-2.4%	12.5%	14.7%
2007	21.6%	14.7%	12.1%

Figure 2.6: Exports as % of GSDP

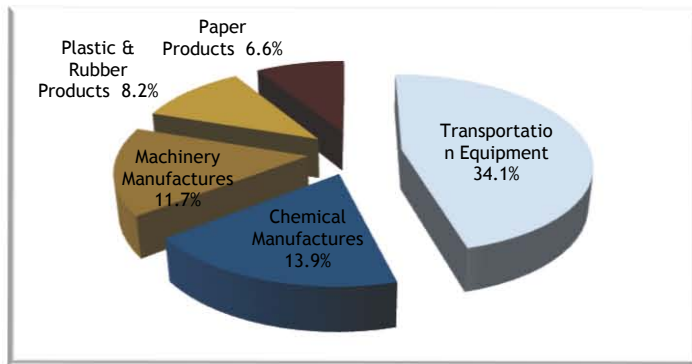


Source: Office of Trade and Industry Information, U.S. Department of Commerce

Manufactured goods made up 96.2 percent of South Carolina's exports, ranking it 5th in the nation in the percentage of manufactured goods exported. Transportation equipment encompassed 34 percent of South

Carolina's exports. Chemical, machinery, plastic and rubber, and paper manufactured products round out the top five export categories in the state (Figure 2.7).

Figure 2.7: Top Export Products



Source: Office of Trade and Industry Information, U.S. Department of Commerce

Table 2.8: Fastest-Growing Export Products

Publishing Industries	202%	1243%
Special Classification Provisions	195%	344%
Animal Production	123%	830%
Waste and Scrap	65%	310%
Chemical Manufactures	64%	30%

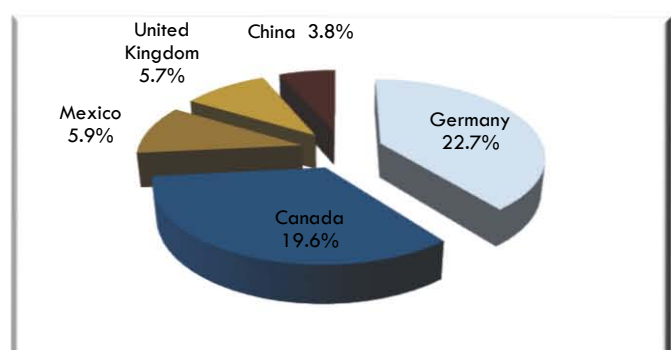
The most rapid export growth has occurred primarily in non-manufactured products (Table 2.8). Publishing industries, including books, newspapers and other printed material, grew over 200 percent from 2006 to 2007, and over 1,200 percent since 2003. Special classification provisions (exports to dignitaries, privileged persons, relief organizations, etc.) grew almost as rapidly over the past year, followed by animal production and waste and scrap. Finally, chemical manufactures, the only manufactured good category among the fastest-growing sectors, experienced 64 percent growth.

In 2007, Germany became South Carolina's top exporting partner, accounting for 22.7 percent of all exports due to 80 percent growth in 2007 (Table 2.9 and Figure 2.8). Growth of exports to Canada slowed to three percent, while exports to Mexico and China actually shrank. Canada still accounts for 19.6 percent of exports. Mexico, the United Kingdom and China make up the other top five export partners.

Table 2.9: Growth Rate of Exports

Germany	80%	34%
Canada	3%	15%
Mexico	-10.4%	13%
United Kingdom	19.7%	14%
China	-11.3%	30%

Figure 2.8: Top Trading Partners-2007



Source: Office of Trade and Industry Information, U.S. Department of Commerce

Foreign Direct Investment

As of 2005, the latest year for which data is available, South Carolina had \$23.7 billion of property, plants, and equipment owned throughout the state by U.S. affiliates of foreign-owned companies. This figure represents an 8.5 percent increase over the previous year (Table 2.10). By comparison, the Southeast grew at a rate of 1.8 percent and the U.S. grew at a rate of 4.0 percent over the same period. Just over 114,000 South Carolinians were employed by these U.S. affiliates (Table 2.11). Employment in foreign-owned companies declined throughout the U.S. and the Southeast in 2005, but South Carolina was hit especially hard, experiencing a 9.1 percent decrease. The declines were primarily led by reductions in the manufacturing sector.

Table 2.10: 2005 Foreign Property, Plant, Equipment

Geography	Investment (in millions)	Growth from 2004
South Carolina	\$23,668	8.5%
Southeast	\$250,489	1.8%
United States	\$1,296,674	4.0%

Table 2.11: 2005 Employment by Foreign Companies

Geography	Employment (in thousands)	Growth from 2004
South Carolina	114.1	-9.1%
Southeast	1,326.1	-1.6%
United States	5,530.1	-1.5%

Source: Bureau of Economic Analysis, U.S. Department of Commerce

Conclusion

Manufacturing is clearly a key sector in the South Carolina economy, but its growth has been slowing, even declining in some years, throughout the past five years. In order to achieve strong economic growth in the future, South Carolina will need to focus on developing industries with the most potential for growth. This direction does not exclude manufacturing; indeed, many opportunities for growth exist within manufacturing subsectors, research and development, and complementary industries. The challenge for the state will be to identify and nurture these areas.

South Carolina has performed well in attracting investments and jobs to the state. The overwhelming majority of these jobs are in the manufacturing sector, and the average annual wage is above the statewide average by almost 14 percent. South Carolina should continue its efforts to attract investment and jobs, particularly focusing on developing and recruiting industries exhibiting the greatest potential for growth of high-quality, high-paying jobs.

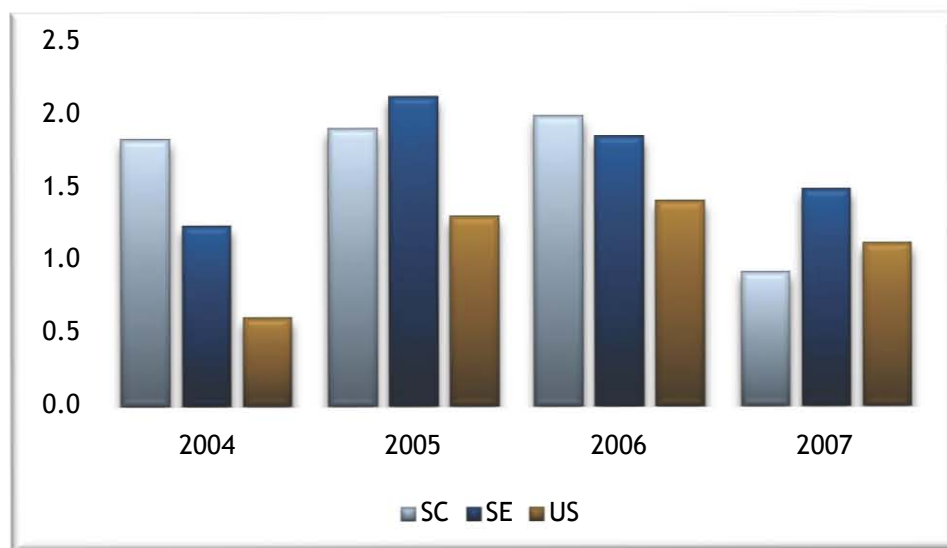
3. WORKFORCE

Labor Force

Over 2.1 million people participated in South Carolina's labor force in 2007. In recent years, South Carolina's labor force has grown at a higher rate than the national growth rate. But, in 2007, South Carolina's growth rate was lower than the national growth rate. South Carolina's labor force growth has been mixed when compared to the Southeast (Figure 3.1).

The labor force participation rate (percentage of the population in the labor force) has been consistently lower in South Carolina than in the United States over the past several years. South Carolina's rate has been more in line with the Southeastern participation rate. Labor force participation decreased in 2007 in South Carolina, as it did in the nation. South Carolina's lower labor force participation is largely due to significantly lower participation among its older population, particularly those aged 55-64 (Table 3.1). This can be attributed to some degree to South Carolina's growing retiree population.

Figure 3.1: Labor Force Growth Rate



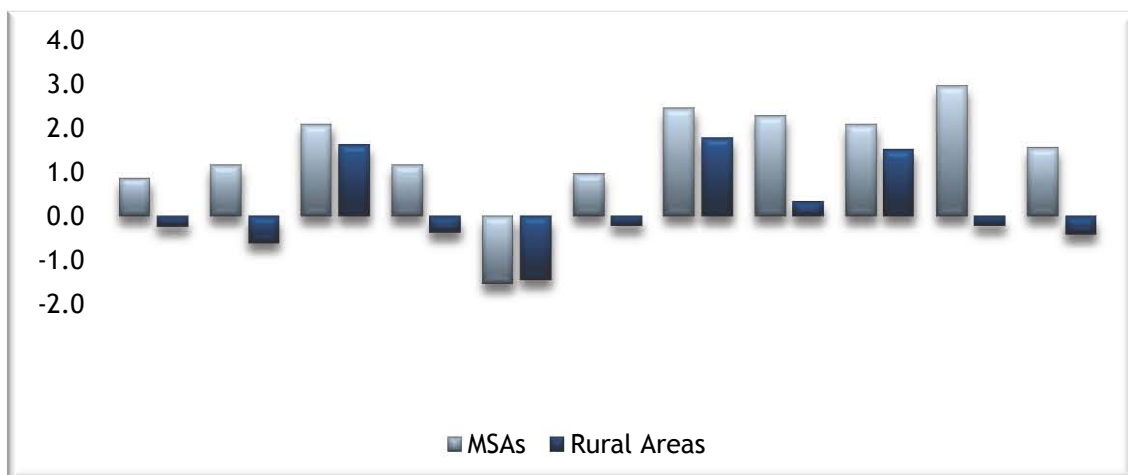
Source: U.S. Department of Labor, Bureau of Labor Statistics

Table 3.1: Labor Force Participation Rate 2007

Total	63.8	66.0
Men	70.7	73.2
Women	57.6	59.3
White	63.8	66.4
Black or African Americans	63.7	63.7
Hispanic or Latino Ethnicity	75.2	68.8
16 to 19 years	41.1	41.3
20 to 24 years	76.3	74.4
25 to 34 years	84.2	83.3
35 to 44 years	83.6	83.8
45 to 54 years	79.5	82.0
55 to 64 years	55.7	63.8
65 years and over	13.8	16.0

Source: U.S. Department of Labor, Bureau of Labor Statistics

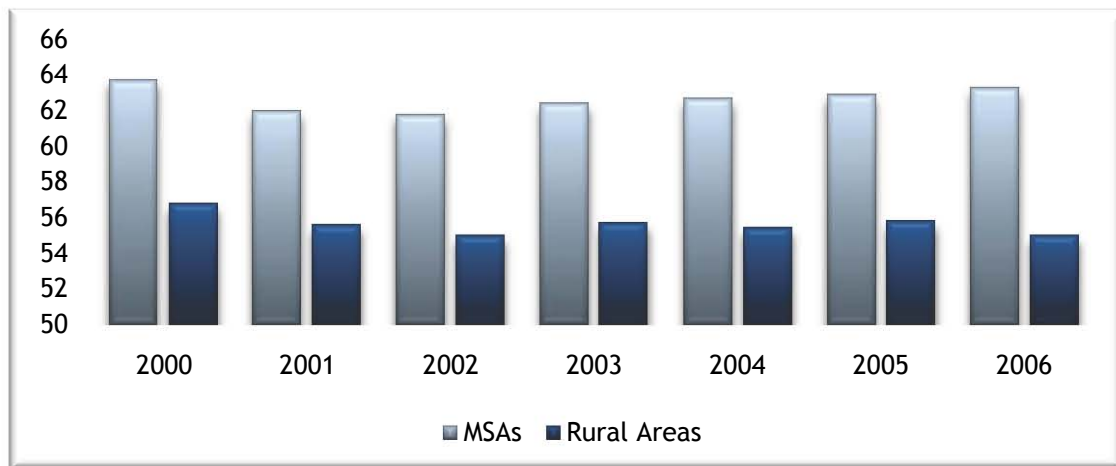
Generally, labor force growth has been markedly slower in South Carolina's rural areas than in urban areas. With the exception of 2001, when both urban and rural growth rates experience a significant decrease, the labor force growth rate has been lower in rural areas than in urban areas every year since 1997. In seven of those years, the labor force declined in rural areas compared to the previous year (Figure 3.2). This trend reflects slower population and job growth in rural areas.

Figure 3.2: South Carolina Labor Force Growth Rate in Urban & Rural Areas

Source: U.S. Department of Labor, Bureau of Labor Statistics

In addition to lower labor force growth, labor force participation has been considerably lower in rural areas (Figure 3.3). Part of this difference is due to the difference in age structure between rural and urban areas. In rural areas of South Carolina, the percentage of people older than 54 in 2006 was 33.1, while it was 29.7 in urban areas.

Figure 3.3: South Carolina Labor Force Participation Rates in Urban & Rural Areas

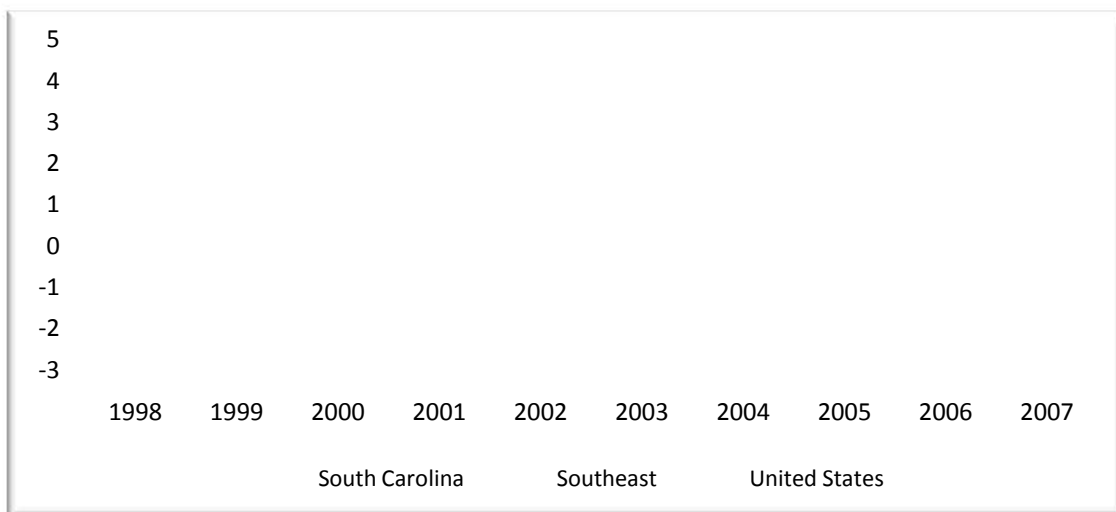


Source: U.S. Department of Labor, Bureau of Labor Statistics

Employment

In recent years, employment growth in South Carolina has mirrored that of the United States and the Southeast. However, in 2007, South Carolina had its highest rate of growth in nonfarm jobs since 2001, outpacing the U.S. and Southeast (Figure 3.4). South Carolina's job count was 1,950,300 in 2007.

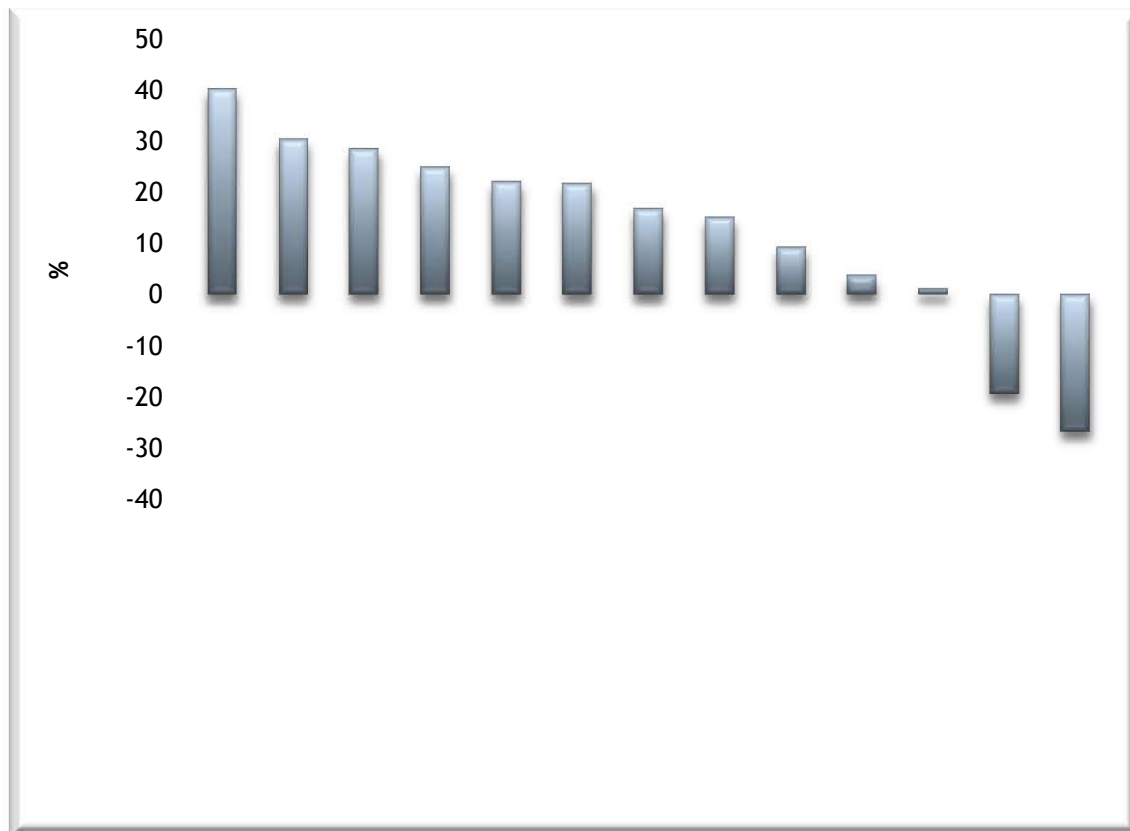
Figure 3.4: Nonfarm Employment Growth Rate



Source: U.S. Department of Labor, Bureau of Labor Statistics

Education and health services has been South Carolina's fastest growing sector, increasing employment by 40 percent, or over 57,000 jobs, over the past 10 years. Over 45,000 jobs were added in professional and business services, and over 39,000 in leisure and hospitality. On the other hand, manufacturing lost over 91,000, or 27 percent, of its jobs from 1998 to 2007 (Figure 3.5).

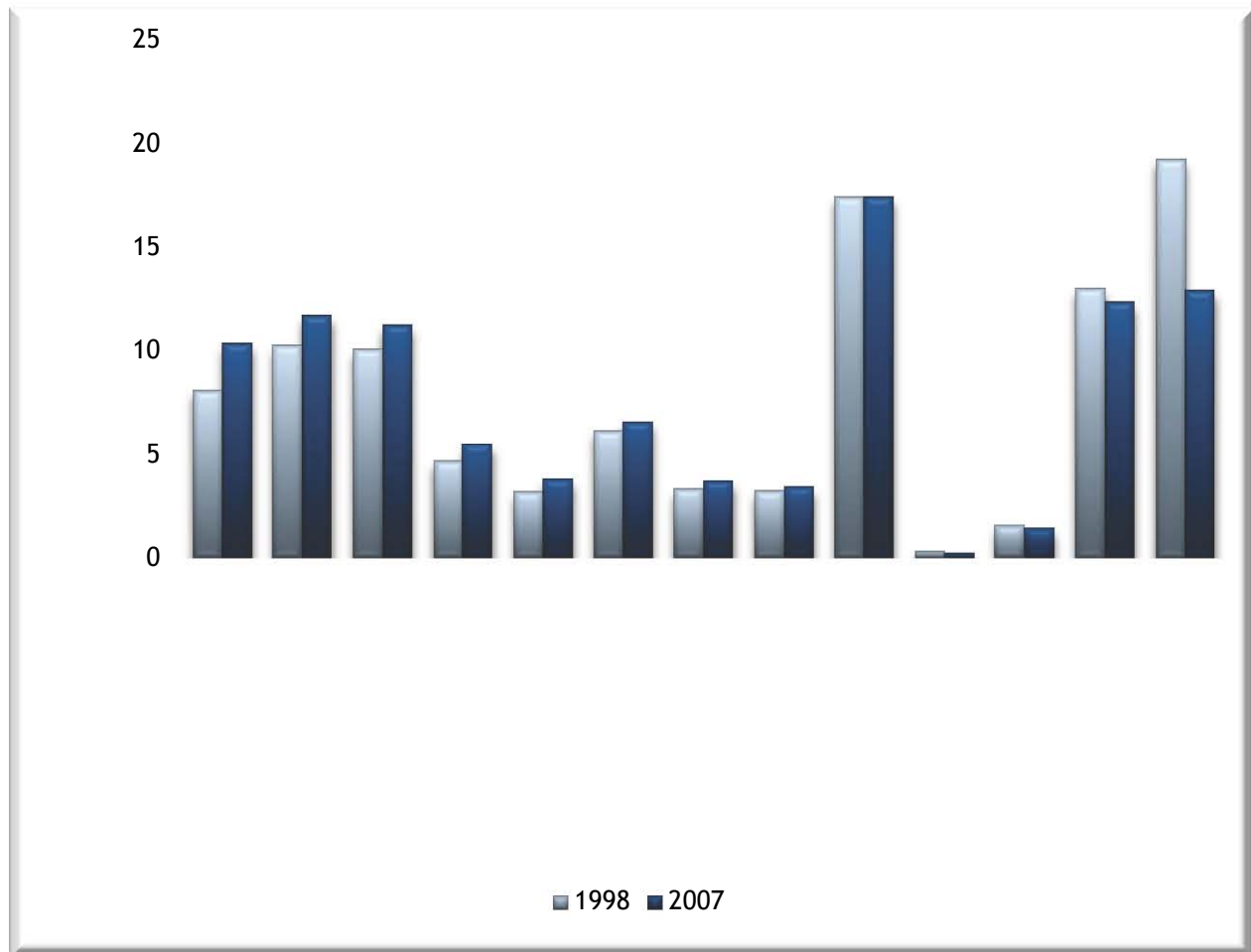
Figure 3.5: SC Employment Change by Industry, 1998-2007



Source: U.S. Department of Labor, Bureau of Labor Statistics

Government, with 17 percent of all nonfarm jobs, is the largest major employment sector in South Carolina, followed by manufacturing (13%) and retail trade (12%). However, because of below-average growth, those sectors account for a lower share of state jobs than they did ten years ago. The sectors that have gained the largest shares of jobs in South Carolina are education and health services, professional and business services, and leisure and hospitality (Figure 3.6).

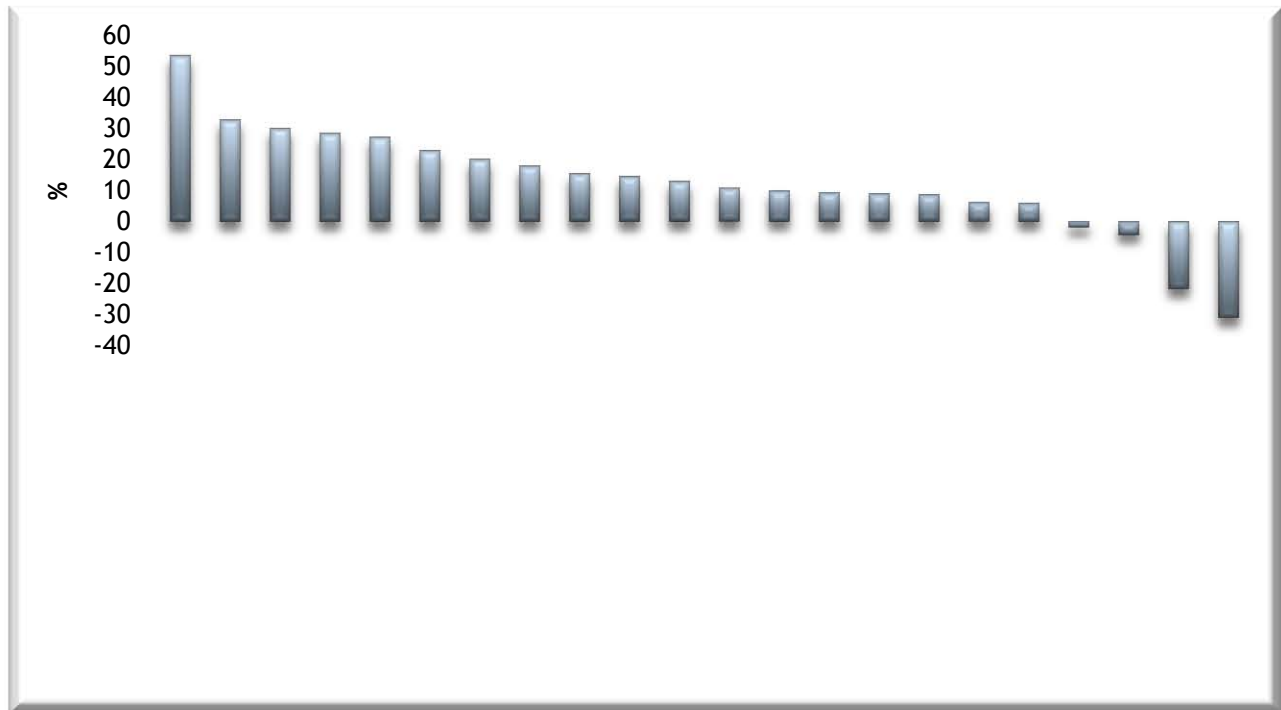
Figure 3.6: SC Employment by Industry



Source: U.S. Department of Labor, Bureau of Labor Statistics

Reflecting the continued movement of South Carolina jobs towards the service-providing sector is the trend in occupational employment. The fastest growth over the past ten years has been in healthcare jobs, particularly home health aides, nursing aides, medical assistants and registered nurses. Meanwhile, with manufacturing's continued decline, production, transportation and material moving jobs declined in the state. With the move to smaller, leaner businesses, management jobs were also cut back (Figure 3.7).

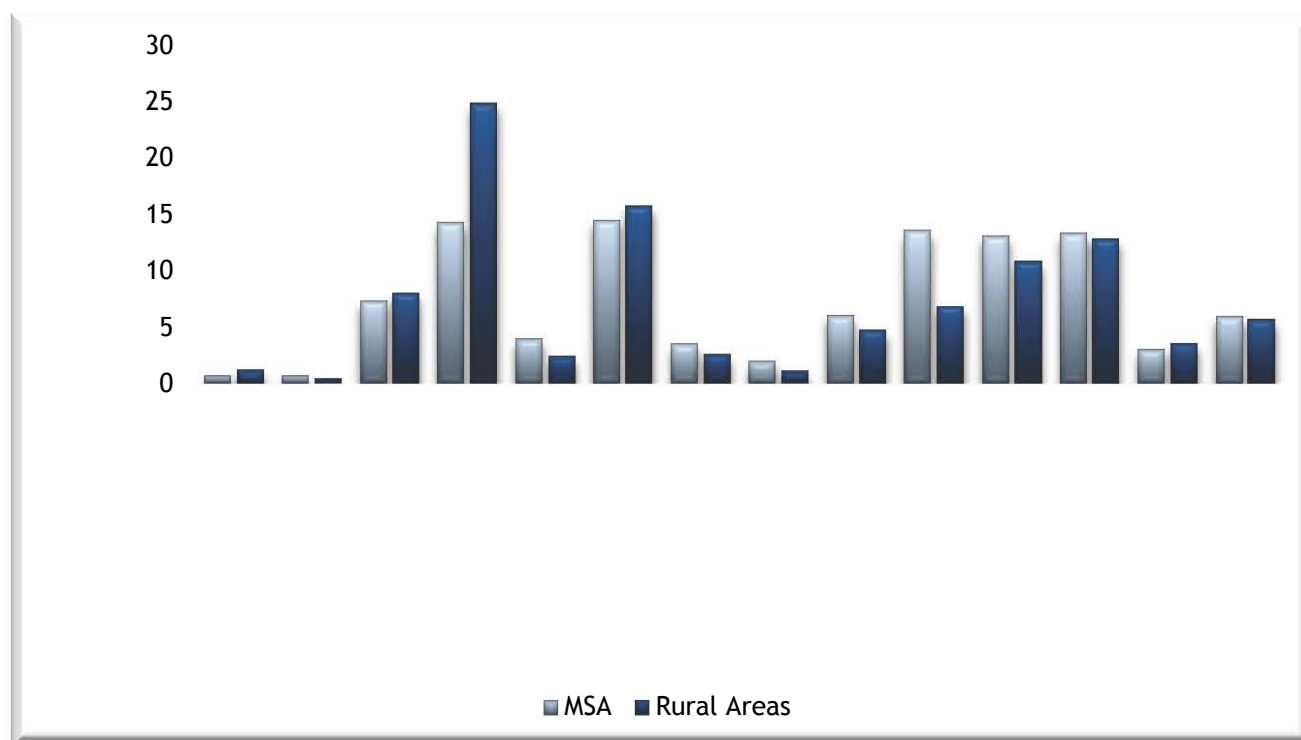
Figure 3.7: SC Employment Change by Occupation - 1999-2007



Source: U.S. Department of Labor, Bureau of Labor Statistics

Urban areas are more diverse in terms of types of jobs when compared to rural areas in South Carolina. One fourth of the jobs in rural areas were in manufacturing, while only around 14 percent of urban jobs were in manufacturing (Figure 3.8). On the other hand, professional and business services, and education and health services had high shares of jobs in South Carolina's urban areas.

Figure 3.8: SC Industry Employment South Carolina in Urban & Rural Areas - 2006



Source: U.S. Department of Labor, Bureau of Labor Statistics

Industry and Occupational Projections

Industry and Occupational Projections compiled by the Labor Market Information office of the South Carolina Department of Commerce for the years 2006 - 2016 indicate that job growth in South Carolina will increase at a slightly higher rate than in the U.S. as a whole. According to the new data, the state will add over 200,000 jobs between 2006 and 2016. That represents growth of 11%, compared to 10% for the U.S. as a whole.

All major industry sectors are expected to grow except manufacturing. Health care and social assistance is projected to add the most jobs, 42,000, or 21 percent. Manufacturing is projected to lose 25,000 jobs, a 10 percent decline from 2006 levels. Wholesale trade and professional, scientific and technical services are expected to grow the fastest, 31 percent. Other major sectors projected to grow 15 percent or more are information, health care and social assistance, utilities, administrative support and waste management and remediation services, educational services, real estate and rental and leasing, and management of companies and enterprises. Specific sectors projected to add 10,000 jobs or more are educational services (including public and private schools) (24,000 jobs), ambulatory health care services (21,000), administrative support services (21,000), durable goods wholesalers (20,000), restaurants and bars (18,000), and specialty trade contractors (11,000).

All major occupational sectors are expected to grow except production (reflecting the projected decline in manufacturing jobs). Office and administrative support is expected to add the most jobs, 26,000, or 9 percent. Production jobs are projected to decline by 6,000, or 3 percent. Healthcare support (home health aides, nursing aides, medical assistants, dental assistants, etc.) is projected to continue to have the largest growth rate, 27 percent. Other major occupational groups expected to grow 15 percent or more are legal; computer and mathematical; healthcare practitioners and technical (doctors, dentists, nurses, pharmacists, lab technicians, dental hygienists, etc.); education, training and library; personal care and service (child care workers, home care aides, hairstylists, amusement and recreation workers, fitness trainers, etc.); and arts, design, entertainment, sports and media. Specific occupations projected to grow by 3,000 or more are retail salespersons (10,000); customer service representatives (9,000); food preparation and serving workers (6,000); registered nurses (6,000); office clerks (5,000); janitors and cleaners (5,000); heavy and tractor-trailer truck drivers (5,000); waiters and waitresses (4,000); wholesale and manufacturing sales representatives (4,000); bookkeeping, accounting and auditing clerks (4,000); home health aides (4,000); nursing aides, orderlies and attendants (3,000); landscaping and groundskeeping workers (3,000); elementary school teachers (3,000); light or delivery truck drivers (3,000); and construction laborers (3,000).

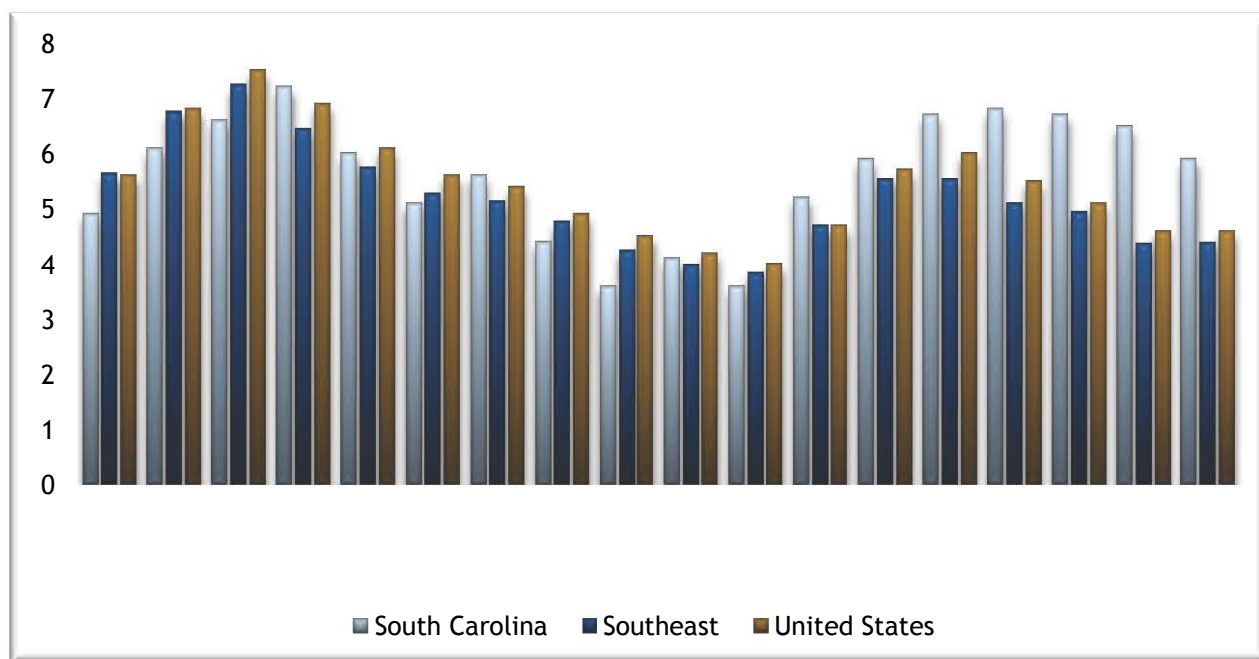
Unemployment

Looking back to 2000, South Carolina's unemployment rate peaked in 2004, and then dropped to 5.9 percent in 2007 (Figure 3.9). However, while South Carolina's unemployment rate was only the 31th highest in the nation in 2000, it was the 4th highest in 2007.

During the 1990s, South Carolina's unemployment rate had been lower than the national average, except in 1993 and 1996. But, since 2001, South Carolina's unemployment rate has been higher than both the Southeastern and national rates. The gap has grown wider over this time. One factor has been the state's relatively high concentration of jobs in the declining manufacturing sector. Also, labor force growth has been higher in South Carolina than in the United States.

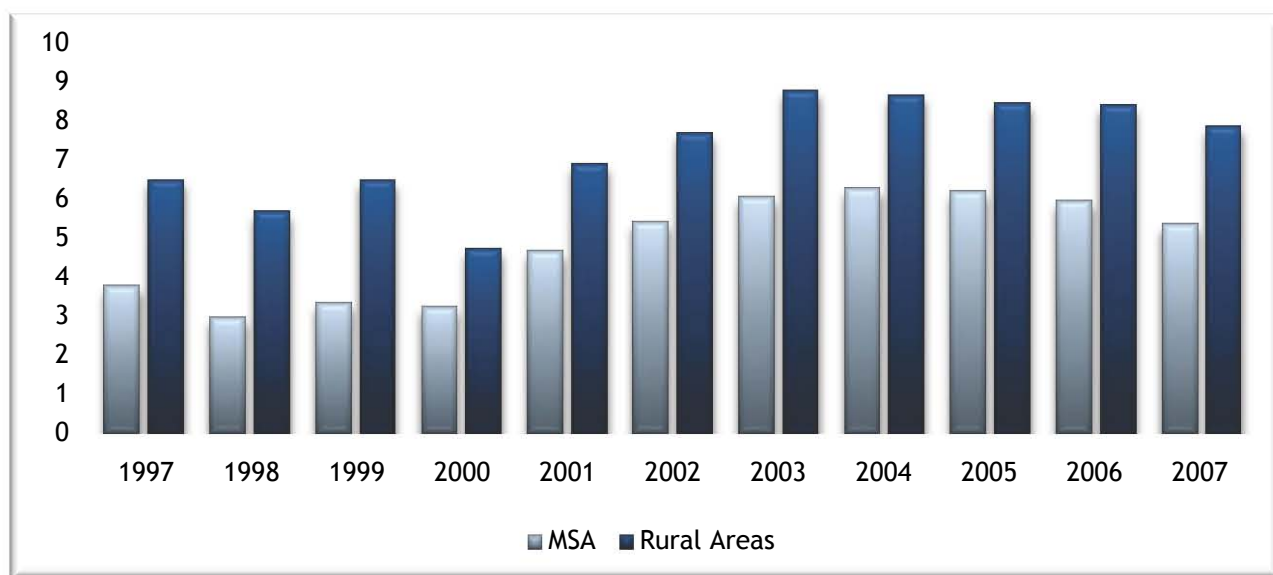
Unemployment is considerably higher in South Carolina's rural areas compared to metropolitan areas (Figure 3.10). In 2007, the difference was 2.5 percentage points. A primary factor in this disparity is the higher concentration of jobs in manufacturing in the state's rural areas. Over the last several years, most large layoffs have occurred in manufacturing.

Figure 3.9: SC, Southeast, and US Unemployment Rates



Source: U.S. Department of Labor, Bureau of Labor Statistics

Figure 3.10: SC Urban and Rural Unemployment Rates



Source: U.S. Department of Labor, Bureau of Labor Statistics

Skills

Here we compare South Carolina and the United States in terms of some common skill needs across industries. These skills are reading comprehension, mathematics, critical thinking, and creative thinking. Figures 3.11

through 3.14 report the percentage of jobs in each skill-level category in the U.S. and South Carolina in 2006. The numbers above the columns show how those levels have changed since 1999.

The skills in demand for jobs in South Carolina tend to be more concentrated in the medium levels compared to the U.S. Also, since 1999, South Carolina's skill levels have grown more at the medium level while the U.S. has grown more at the high level. Except for math, the share of jobs at low skill levels has declined since 1999 in South Carolina.

In general, these figures demonstrate that skills needed for South Carolina jobs are increasing, pointing to the continued need for the state's workforce to increase its skills to remain competitive in the job market.

Figure 3.11: Critical Thinking Levels 2006

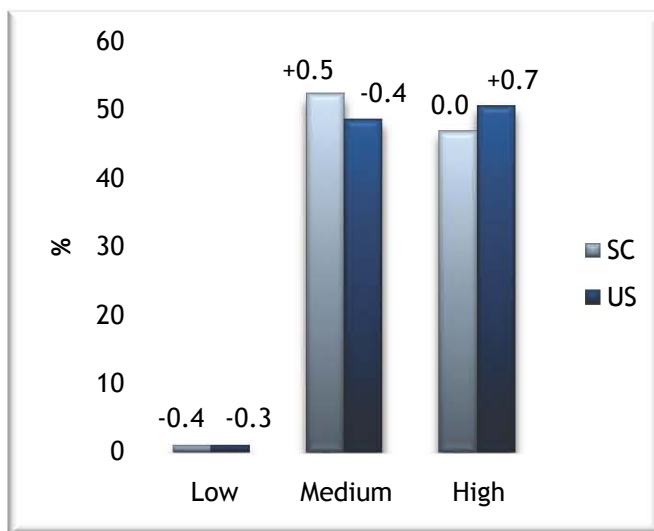


Figure 3.12: Reading Comprehension 2006

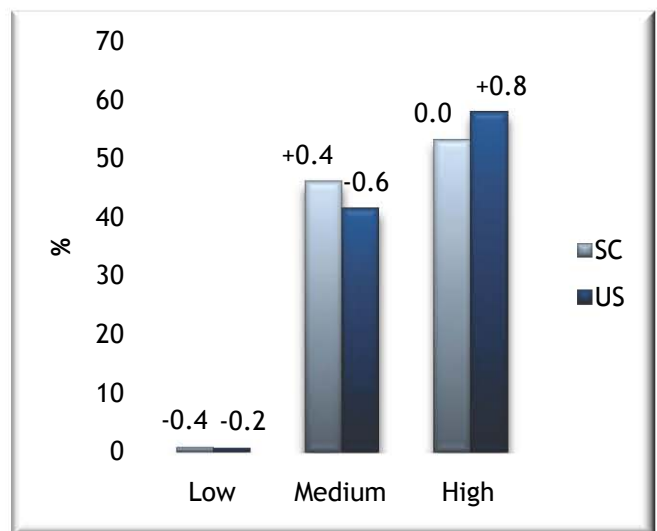


Figure 3.13: Mathematics Levels 2006

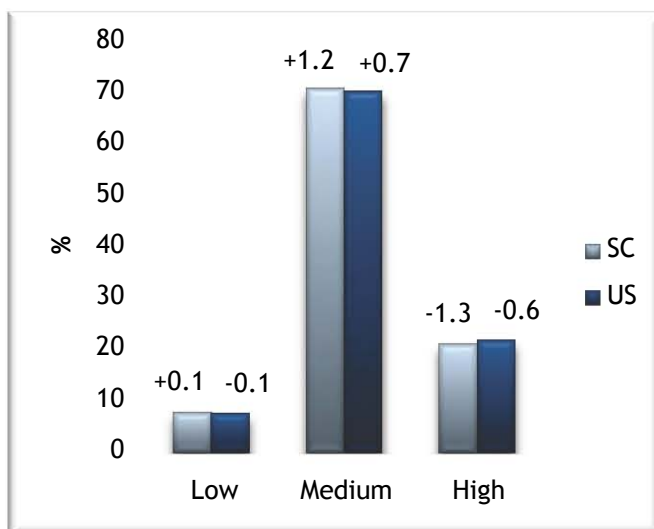
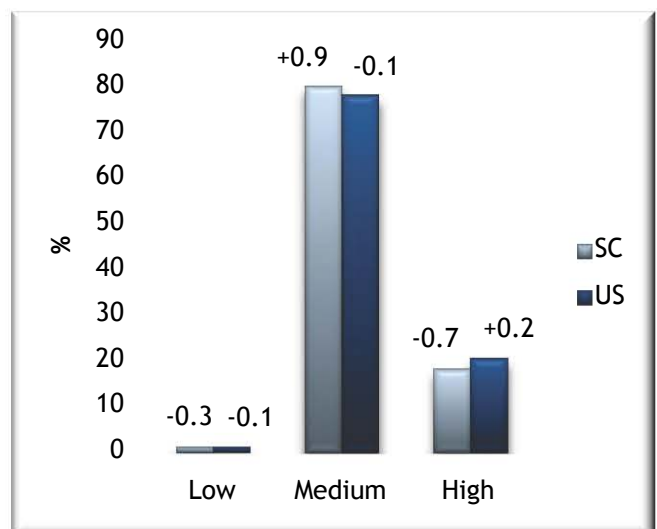


Figure 3.14: Creative Thinking Levels 2006



Source: U.S. Department of Labor, Bureau of Labor Statistics, and U.S. Occupational Information Network (O*NET)

Conclusion

South Carolina has been experiencing a high rate of growth in its labor force. However, labor force participation has been lower in South Carolina than in the United States. A significant factor behind this is lower participation among older South Carolinians. Labor force growth is much lower in rural areas than urban ones, due to slower growth in population and jobs in rural areas. Also, labor force participation is much higher in urban areas than in rural areas.

Over the last several years, jobs have been increasing in South Carolina. Education and health services have been the fastest-growing sector in terms of jobs. On the other hand, manufacturing lost over 91,000, or 27 percent, of its jobs from 1998 to 2007. Rural South Carolina is more dependent on manufacturing for its jobs, with around a quarter of its employment in that sector. Continuing declines in manufacturing jobs will therefore bring more challenges and stresses to rural parts of the state.

Job growth in South Carolina is expected to continue over the next several years, with over 200,000 more jobs, or 11 percent growth, from 2006-2016. All major industry sectors are expected to grow except manufacturing.

In recent years, South Carolina's unemployment rate has worsened compared to the United States and its Southeastern neighbors. Unemployment continues to be a bigger problem for the state's rural areas than for its urban areas.

Skills needed for South Carolina jobs are generally a bit lower than those needed for the nation as a whole. However, the levels of various skills needed for the state's workforce are increasing.

4. WAGES & INCOME

Overview

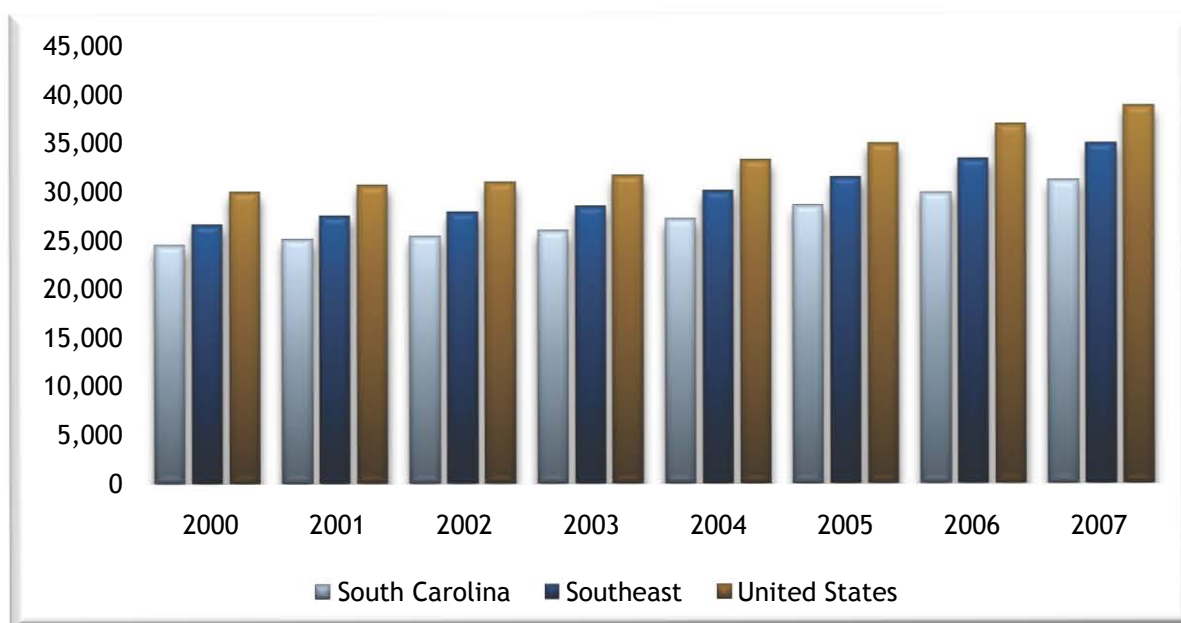
South Carolina has historically had lower wages and income compared to the United States and the Southeast. This fact can potentially have positive and negative implications. A positive effect has come in recruiting businesses to South Carolina. Employers can hire individuals in South Carolina at a fraction of the cost of other areas of the U.S. This fact has allowed South Carolina to recruit and retain top companies like BMW, Google, Michelin, Robert Bosch and Starbucks to name a few. On the flip side, South Carolinians do not make as much as their counterparts in other areas of the country. Countering lower wages is South Carolina's lower cost of living.

Income

Per Capita Income

South Carolina's per capita personal income was \$31,013 in 2007 (Figure 4.1). South Carolina has historically had lower per capita personal income compared to the U.S. and the Southeast. In addition, per capita income grew at a slower rate in South Carolina (27.0%) than the Southeast (31.4%) or the U.S. (29.4%) from 2000 to 2007. Consequently, South Carolina's per capita income fell from 82 percent to 80 percent of the nation's level, and its rank among all states fell from 40th to 48th.

Figure 4.1: Per Capita Income



Source: Bureau of Economic Analysis, U.S. Department of Commerce

Rural and Urban Income

Based on the most recent data from the U.S. Census Bureau, Small Area Income and Poverty Estimates, 33 of South Carolina's 46 counties have a median household income below the state average. All but two of South Carolina's rural counties fall into this group of 33. Table 4.1 provides median household income in South Carolina and all counties and demonstrates that rural areas do have much lower incomes than urban areas.

Table 4.1: Median Household Income by County, 2005

Abbeville County	\$32,486	82%	Dillon County	\$28,395	72%	McCormick County	\$32,330	82%
Aiken County	\$41,875	106%	Dorchester County	\$49,636	126%	Marion County	\$27,283	69%
Allendale County	\$22,491	57%	Edgefield County	\$39,347	100%	Marlboro County	\$26,306	67%
Anderson County	\$38,725	98%	Fairfield County	\$32,748	83%	Newberry County	\$35,245	89%
Bamberg County	\$26,299	67%	Florence County	\$37,251	94%	Oconee County	\$39,724	101%
Barnwell County	\$30,155	76%	Georgetown County	\$35,050	89%	Orangeburg County	\$31,151	79%
Beaufort County	\$49,638	126%	Greenville County	\$42,714	108%	Pickens County	\$40,744	103%
Berkeley County	\$44,733	113%	Greenwood County	\$36,629	93%	Richland County	\$43,250	110%
Calhoun County	\$35,698	90%	Hampton County	\$31,309	79%	Saluda County	\$37,245	94%
Charleston County	\$42,465	108%	Horry County	\$38,727	98%	Spartanburg County	\$38,197	97%
Cherokee County	\$35,555	90%	Jasper County	\$32,892	83%	Sumter County	\$34,246	87%

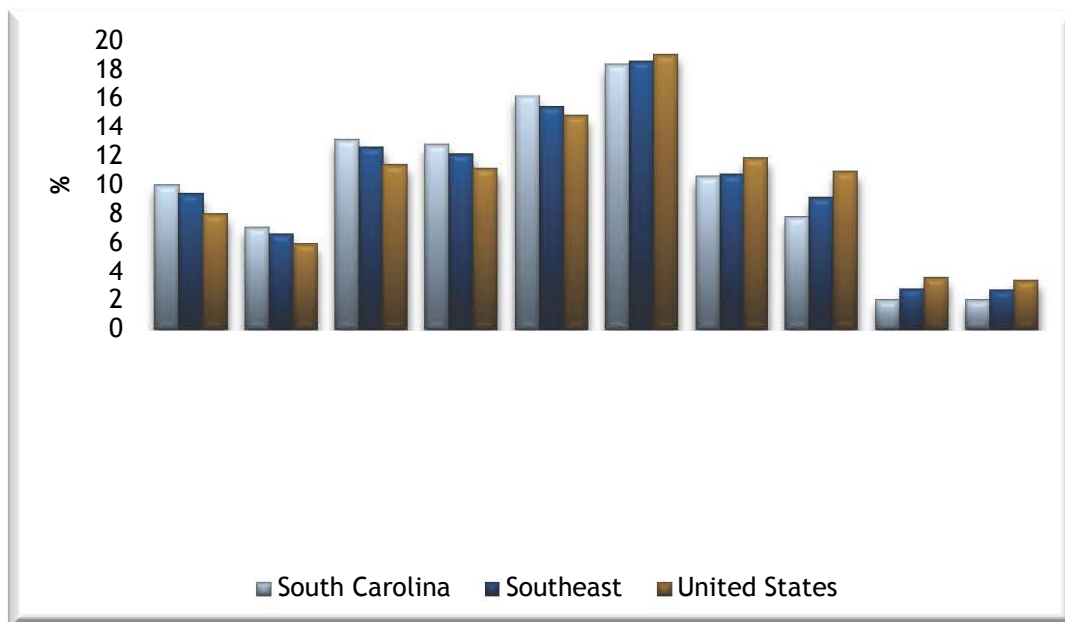
Chester County	\$33,316	84%	Kershaw County	\$40,915	104%	Union County	\$33,243	84%
Chesterfield County	\$31,527	80%	Lancaster County	\$36,064	91%	Williamsburg County	\$25,690	65%
Clarendon County	\$27,944	71%	Laurens County	\$35,080	89%	York County	\$47,245	120%
Colleton County	\$31,059	79%	Lee County	\$27,227	69%			
Darlington County	\$33,739	85%	Lexington County	\$46,504	118%	South Carolina	\$39,477	

Source: U.S. Census Bureau, Small Area Income & Poverty Estimates.

Income Distribution

Figure 4.2 provides a comparison of income distribution. In 2006 South Carolina had a higher percentage of low income households compared to the Southeast region and the United States. South Carolina had a higher percentage of households with income less than \$50,000 when compared with their counterparts in the Southeast region or the United States and a lower percentage with incomes greater than \$75,000.

Figure 4.2: Percentage of Population by Income Group, 2006



Source: U.S. Census Bureau, 2006 American Community Survey.

Cost of Living

While South Carolinians generally have lower income than the U.S. average, South Carolina's lower cost of living partially mitigates the effect of lower wages and income. According to the ACCRA Cost of Living Index (produced by the Council for Community and Economic Research), South Carolina's metropolitan statistical areas all have a cost of living that is below the national average (Table 4.2).

Table 4.2: Cost of Living Index, 3rd Quarter 2007

Area	ACCRA Cost of Living Index
United States	100.00
Anderson SC Metro	93.6
Charleston-North Charleston SC Metro	97.5
Columbia SC Metro	93.5
Florence SC Metro	93.9
Greenville SC Metro	91.2
Myrtle Beach-Conway-North Myrtle Beach SC Metro	94.5

Source: ACCRA

Earnings

Earnings by Industry

Table 4.3 shows average wages for major industry sectors. In all sectors, South Carolina earnings are lower than the U.S. The information sector had the highest wages in South Carolina, while for the U.S. it was financial activities.

Table 4.3: Average Annual Wages by Industry, 2006

Industry	United States	South Carolina
Total	\$42,535	\$34,281
Natural Resources & Mining	\$42,904	\$28,229
Construction	\$44,496	\$37,519
Manufacturing	\$51,427	\$43,637
Trade, Transportation & Utilities	\$36,497	\$31,552
Information	\$65,962	\$47,151
Financial Activities	\$68,901	\$44,384
Professional & Business Services	\$51,974	\$37,261
Education & Health Services	\$39,115	\$35,598
Leisure & Hospitality	\$17,781	\$14,039
Other Services	\$26,923	\$23,966
Government	\$43,180	\$36,866

Source: U.S. Department of Labor, Bureau of Labor Statistics

Earnings by Occupation

Table 4.4 displays median wage rates for general occupational classifications for South Carolina and the U.S. In all classifications except farming, forestry and fishing, South Carolina had lower wage rates than the U.S.

Table 4.4: Median Wage Rates by Occupation, 2007

Occupation Code	Occupation Title	SC Median Hourly	US Median Hourly
11-0000	Management Occupations	\$35.15	\$40.60
13-0000	Business and Financial Operations Occupations	\$23.30	\$26.87
15-0000	Computer and Mathematical Science Occupations	\$27.30	\$33.21
17-0000	Architecture and Engineering Occupations	\$29.01	\$31.14
19-0000	Life, Physical, and Social Science Occupations	\$23.30	\$26.59
21-0000	Community and Social Services Occupations	\$15.35	\$17.87
23-0000	Legal Occupations	\$23.23	\$33.54
25-0000	Education, Training, and Library Occupations	\$19.11	\$20.47
27-0000	Arts, Design, Entertainment, Sports, and Media Occupations	\$15.73	\$19.28
29-0000	Healthcare Practitioner and Technical Occupations	\$23.30	\$26.17
31-0000	Healthcare Support Occupations	\$10.05	\$11.45
33-0000	Protective Service Occupations	\$14.01	\$16.11
35-0000	Food Preparation and Serving Related Occupations	\$7.43	\$8.24
37-0000	Building and Grounds Cleaning and Maintenance Occupations	\$9.01	\$10.18
39-0000	Personal Care and Service Occupations	\$8.71	\$9.50
41-0000	Sales and Related Occupations	\$9.84	\$11.41
43-0000	Office and Administrative Support Occupations	\$12.77	\$13.91
45-0000	Farming, Fishing, and Forestry Occupations	\$11.35	\$8.94
47-0000	Construction and Extraction Occupations	\$14.49	\$17.57
49-0000	Installation, Maintenance, and Repair Occupations	\$16.57	\$18.04
51-0000	Production Occupations	\$13.26	\$13.53
53-0000	Transportation and Material Moving Occupations	\$11.47	\$12.65

Source: U.S. Department of Labor, Bureau of Labor Statistics

Earnings by Region

Table 4.5 lists median hourly incomes for all occupations for South Carolina regions. Earnings are higher in the more populous areas near Charlotte and Columbia, and lower in the non-urban areas.

Table 4.5: Median Wage Rates by Occupation, 2007

Region	Median Hourly
South Carolina	\$13.35
Anderson, SC MSA	\$12.57
Augusta-Richmond County, GA-SC MSA	\$13.31
Charleston-North Charleston, SC MSA	\$13.85
Charlotte-Gastonia-Concord, NC-SC MSA	\$15.31
Columbia, SC MSA	\$14.25
Florence, SC MSA	\$12.85
Greenville, SC MSA	\$13.78
Myrtle Beach-Conway-North Myrtle Beach, SC MSA	\$11.20
Spartanburg, SC MSA	\$13.89
Sumter, SC MSA	\$11.70
Lowcountry, SC Non-metropolitan Area	\$12.66
Upper Savannah, SC Non-metropolitan Area	\$13.18
Pee Dee, SC Non-metropolitan Area	\$11.58
Lower Savannah, SC Non-metropolitan Area	\$12.09

Source: U.S. Department of Labor, Bureau of Labor Statistics

Conclusion

South Carolina lags in income compared to the U.S. and Southeast. Specifically, the following points can be seen as challenges to higher income in South Carolina:

- Per capita income growth in South Carolina has been relatively flat over the past five years.
- South Carolinians in urban areas make more than residents in rural areas.
- South Carolina has higher percentages of low income groups compared to the U.S. and Southeast.
- South Carolina has a higher percentage of lower income jobs than other areas, which can negatively affect wage and income.

While these are not easy issues to overcome, South Carolina has made some efforts to provide opportunities to better all strata of the state. Specifically:

- The South Carolina Department of Education and economic development groups are implementing programs to improve graduation rates;
- South Carolina is investing resources in Endowed Chairs at all of our research universities to support research development in new technologies;

- South Carolina's economic development recruiting efforts are focused on bringing advanced industries, specific clusters and higher paying jobs; and
- The SC WorkReady Career Readiness Certificate Initiative is helping workers improve and document the basic skills most in demand by employers.

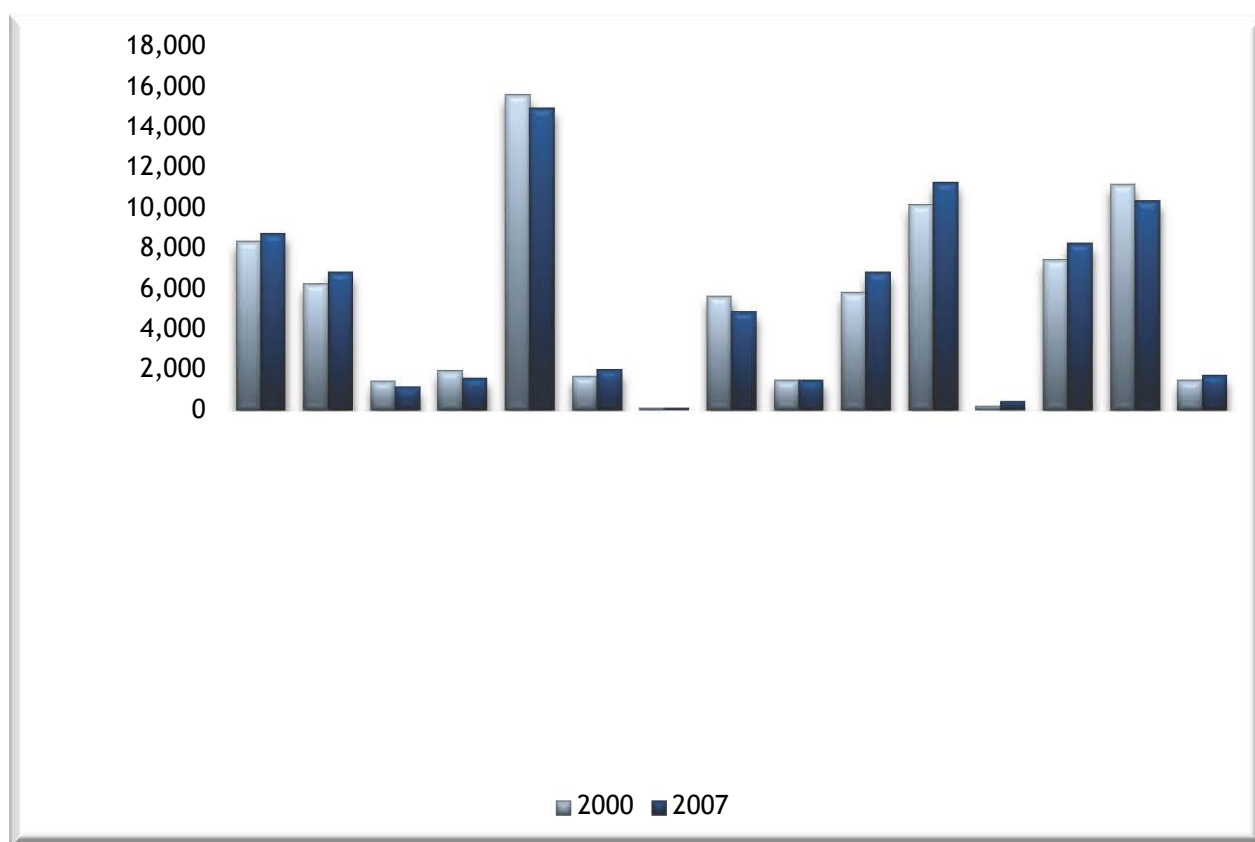
Since educational initiatives have been shown to have a positive effect on growing wealth and improving income levels, South Carolina should continue these efforts in order to allow all segments of the state to improve.

5. Industries

Overview

Industry in South Carolina in 2007 continued to undergo a fundamental shift which began in the 1970s, transitioning from a strong manufacturing base towards service and trade industries (Figure 5.1). Industry here also continued to show the typical growing pains of a maturing economy: productivity gains leading to declining levels of employment and the exodus of production technologies to new locations with lower labor, material and input costs.

Figure 5.1: Number of South Carolina Establishments by Industry

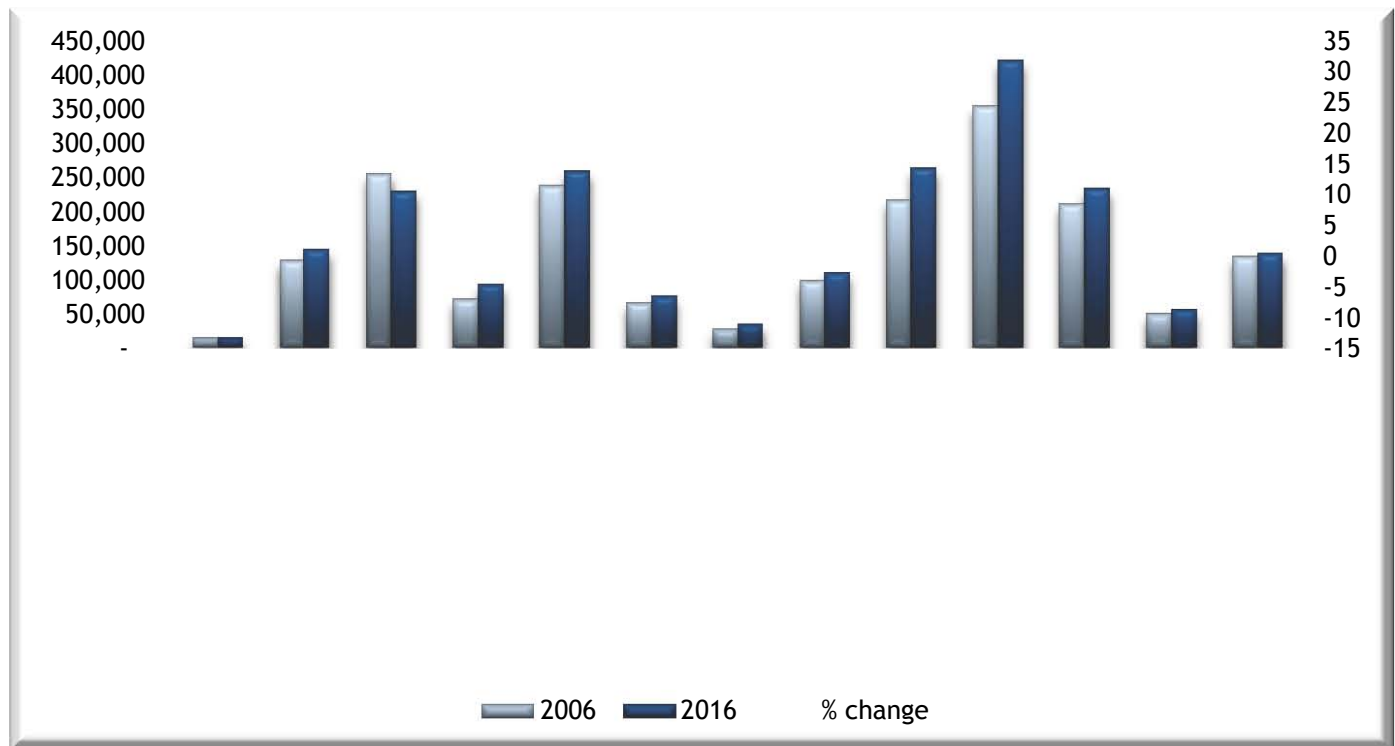


Source: U.S. Department of Labor, Bureau of Labor Statistics

This globalization and innovation of the state's economy has fundamentally altered industry in South Carolina, but in no way is this shift a one-way exodus. South Carolina has the highest percentage of citizens working for internationally-owned companies in the nation, indicative of the attractive business climate in the state and the capacity of South Carolina to compete in a global economy. The year 2007 was also a banner year for capital investment in the state, with a significant portion of this investment stemming from international sources. Furthermore, the durable-goods sector—particularly automotive-related producers—is thriving in the

state. Other non-manufacturing industries are growing, many at a rate that is outpacing the nation (Figure 5.2).

Figure 5.2: South Carolina Industry Growth Projections



Source: S.C. Department of Commerce

Traditional Industry

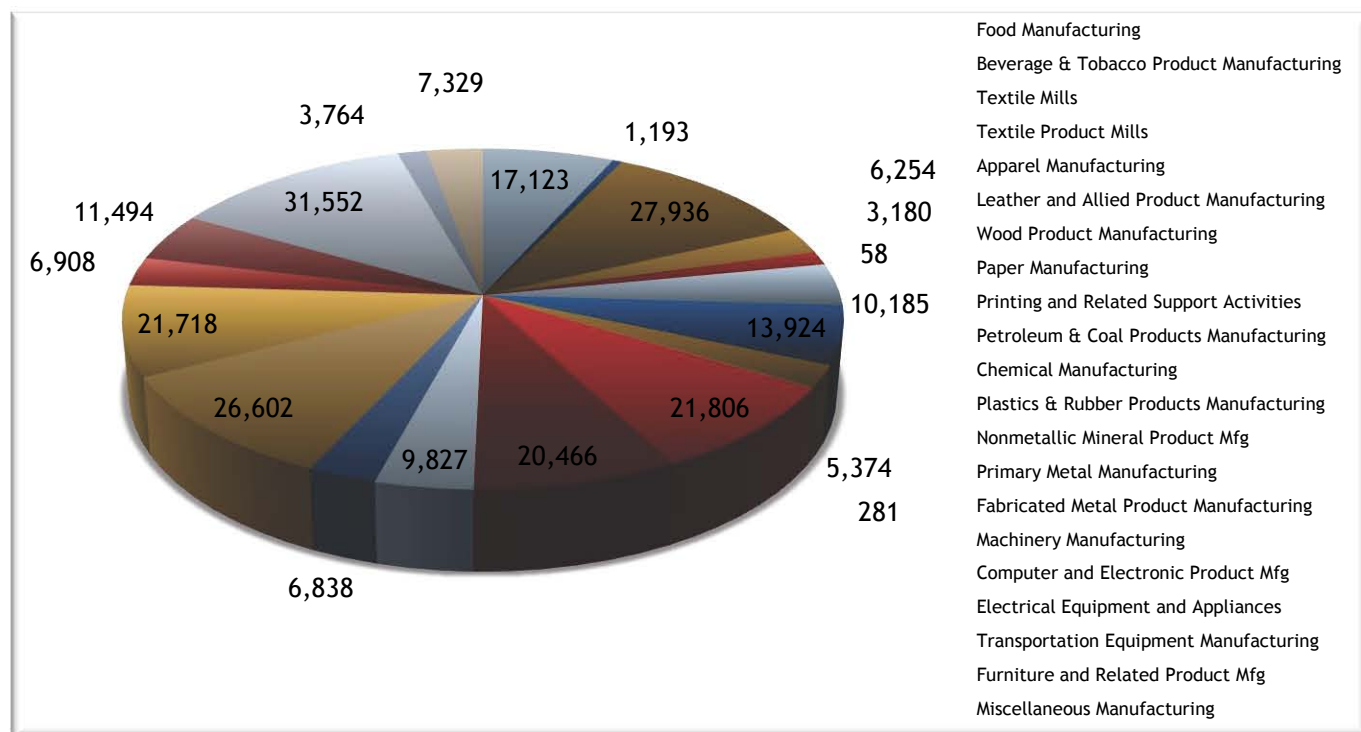
Manufacturing in South Carolina continues to be a tale of two industries: on the one hand generating a wave of new jobs that incorporate the latest in advanced technologies and innovations, while on the other shedding jobs and eliminating industries that are low tech in the face of ever stiffening and widening international competition.

In 1997, manufacturing employment numbered 338,500, or 20 percent of all employment in the state. By 2007, that number had dwindled to 250,000, or 13 percent of all jobs. These numbers reflect the significant structural changes the South Carolina economy has undergone. South Carolina's manufacturing numbers mirrored trends in the U.S. as a whole. Between 1997 and 2007, the numbers of those employed in manufacturing in the U.S. dropped by 20 percent from over 17 million—14 percent of jobs—to under 14 million—or 10 percent of all jobs.

The decline of manufacturing in the U.S. and in South Carolina has certainly had a negative economic impact, but larger market forces may also be its saving grace. The outlook for manufacturing can and should improve if the U.S. dollar continues to hold its low parity with other currencies. This brings us to the other face of manufacturing in the state. To create an optimum environment for businesses to prosper, South Carolina is working to mitigate the loss of traditional manufacturing through the recruitment of new, more innovative

manufacturers. The traditional manufacturers—such as textile mills and furniture makers—have left the state in droves, but the technological march has supplanted these industries with cutting-edge factories and lean manufacturers that are employing a more skilled and technologically-aware worker (Figure 5.3).

Figure 5.3: 2006 South Carolina Manufacturing Employment

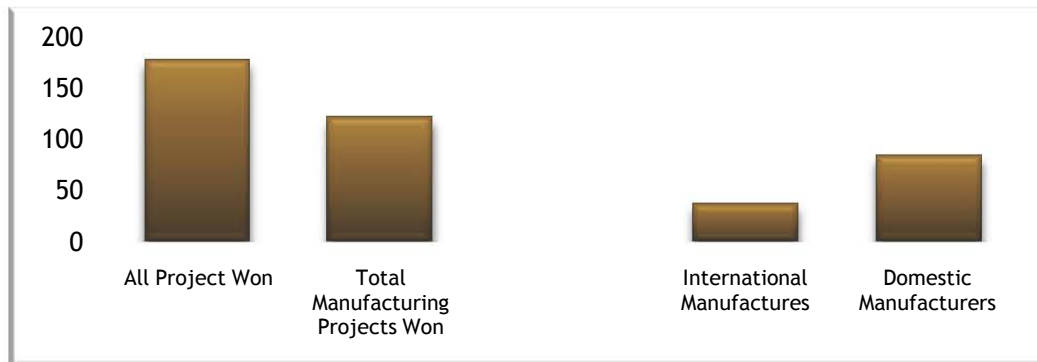


Source: U.S. Department of Labor, Bureau of Labor Statistics

These changes are reflected in recent capital investment in the state. Over 120 manufacturing companies announced they were expanding or establishing a new location in South Carolina in 2007. Furthermore, over \$4.6 billion was invested and nearly 16,000 jobs created in the state in 2007. Over \$3.4 billion, or 74 percent, of investment and nearly 9,500, or 60 percent, of jobs, were in the manufacturing industry alone (Figure 5.4). Over 30 percent of these companies were international companies.

The manufacturing industry in South Carolina has changed dramatically since the state's heyday as a leading textile manufacturer. The decline of textile production in the South, and the U.S. as a whole, will continue to have an impact on unemployment in the state. Despite this situation, bright spots exist in the industry, particularly due to the state's push to integrate and adapt new technologies into old processes. These efforts have reaped vast benefits, none more so than in one particular industry: transportation equipment manufacturing. Furthermore, growth in two emerging industries—transportation and warehousing, and professional and technical services—should continue to steer the state towards improving its economy and creating jobs and opportunities.

Figure 5.4: South Carolina Investment by Industry, 2007
(Number of New Companies or Expansions)



Source: S.C. Department of Commerce

Industry in Focus: *Transportation Equipment Manufacturing*

In 2007, over 33,000 jobs in South Carolina were in the transportation equipment manufacturing sector, comprising nearly 14 percent of the manufacturing sector in the state. This is the largest subsector of the manufacturing industry in the state, and its growth has been a crucial aspect of overall economic growth and development in the state, due to the rapid job creation and capital investment the industry has garnered over the past several years (Table 5.1).

More than 51 firms involved in transportation equipment manufacturing relocated or expanded in South Carolina during 2006-07, investing nearly \$2.7 billion and creating over 4,500 jobs. The strength of this industry is largely due to the automotive cluster in the Upstate, centered largely on BMW's only North American manufacturing plant located in Spartanburg County. This choice of an Upstate location is not lost on economic developers. The textile industry—during the 19th and early 20th centuries—previously formed the manufacturing backbone of the region. But, by the 1970s, what previously was a source of job creation became a serious drag on employment in the region. South Carolina has continued to push forward, recruiting a more diverse industrial base for job creation, and transportation equipment manufacturing has been one example of the success of these efforts (Table 5.1).

Table 5.1: Transportation Equipment Manufacturing Growth: SC vs. US

South Carolina	30,500	33,100	2,600	8.5%	240
United States	1,830,000	1,710,900	119,100	-6.5%	15,300

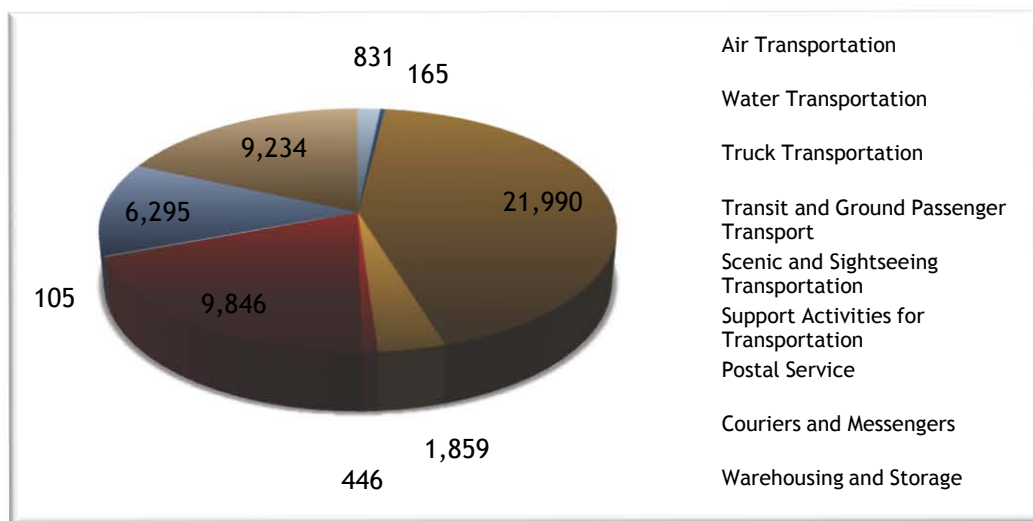
Source: U.S. Department of Labor, Bureau of Labor Statistics

Industry in Focus: *Transportation and Warehousing*

Closely tied to the manufacturing sector is the transportation and warehousing sector. It includes industries providing transportation of passengers and cargo, warehousing and storage for goods, scenic and sightseeing transportation, and support activities related to modes of transportation (Figure 5.5). Businesses in this sector rely on networks of physical location complemented by extensive mechanical equipment and a large labor force. South Carolina has thrived in providing all these aspects; so much so that six metropolitan areas in the

state were ranked by Expansion Magazine as Top Logistics Metros for 2006.¹ Growth in this industry has been phenomenal, with the state outpacing the nation, and should continue. The industry has grown by 12.5 percent in South Carolina, versus 7.4 percent in the nation (Table 5.2).

Figure 5.5: South Carolina Transportation & Warehousing 2006



Source: U.S. Department of Labor, Bureau of Labor Statistics

Truck drivers and driver sales workers hold 43 percent of all jobs in the industry in South Carolina. However, growth in this industry is a double-edged sword: growth often reflects macro-economic factors, relying on overall economic growth, while likewise suffering its contractions. Jobs are often not particularly high-skilled, with many requiring only a high school education. Thus, continued growth in the industry may rely on keeping up with industry trends, such as just-in-time shipping. This is the process whereby goods or products arrive at a particular location just before they are needed, reducing the need and cost of maintaining large inventories. This reflects the industry trend of moving towards the quick and vast incorporation of new technologies and innovative processes, particularly supply-chain integration—whereby businesses produce, transport, and store all materials in the most efficient manner possible. The ability of businesses and the workforce in South Carolina to progress with these industry trends will be pivotal in ensuring the continued growth of the industry in the state.

Table 5.2: Transportation & Warehousing Growth: SC vs. US

South Carolina	48,100	54,100	6,000	12.5%	3,481
United States	4,223,600	4,536,000	312,400	7.4%	217,980

Source: U.S. Department of Labor, Bureau of Labor Statistics

¹ "Expansion Magazine Ranks Six SC Metro Areas as Tops for Logistics"
<http://www.sc.gov/NewsCenter/Commerce/SCDOC11190601.htm>

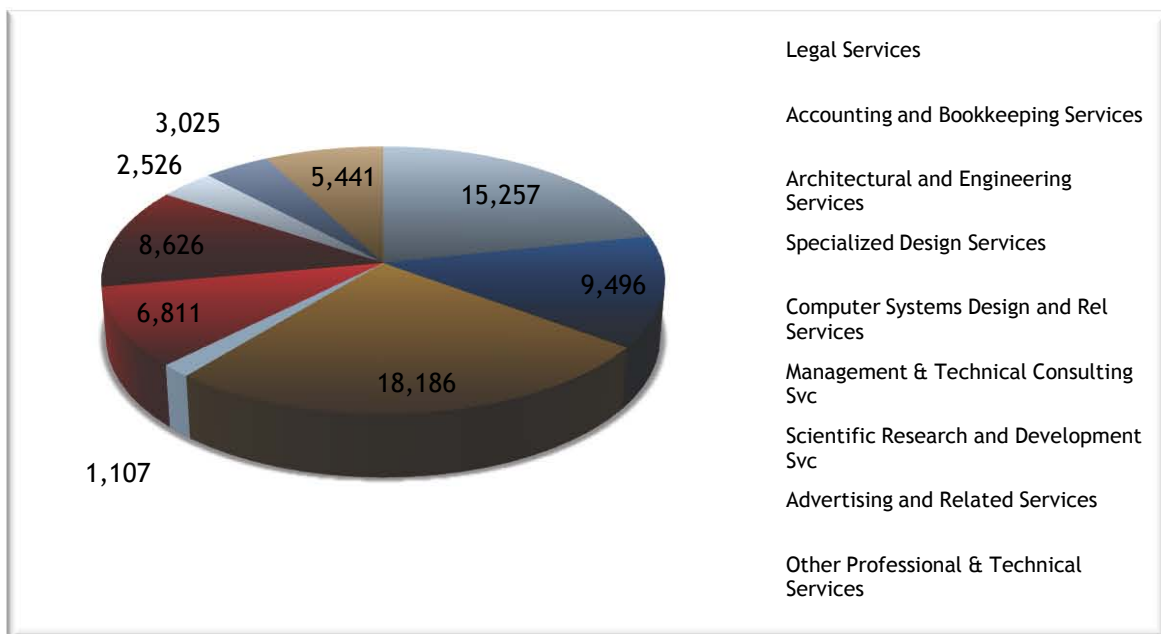
Emerging Industry

While manufacturing's importance as a job generator for South Carolina diminishes, other sectors have emerged to take its place. These emerging sectors reflect the move away from larger businesses to smaller ones, from use of labor to use of technology, and from lower-skill workers to higher-skill. These sectors also reflect the rapid pace of change in today's economy, with their fortunes—and job outlooks—subject to rather sudden change.

Industry in Focus: *Professional, Scientific and Technical Services*

The professional, scientific and technical services industry is on the rise in the U.S., as well as in South Carolina. This is reflected by the long-term shift from goods-producing to service-providing employment. The former is expected to see continued job losses, while the latter will be a source of job growth. The professional, scientific and technical services sector includes a wide variety of skilled professions (Figure 5.6). In South Carolina, architectural and engineering services comprise the largest segment of professional and related occupations.

Figure 5.6: South Carolina Professional, Scientific and Technical Services 2006



Source: U.S. Department of Labor, Bureau of Labor Statistics

In South Carolina, the outlook for professional, scientific and technical services is encouraging, with growth in this industry outpacing the nation (Table 5.3). A large percentage of growth will come from three groups of professional occupations—computer and mathematical occupations; healthcare practitioners and technical occupations; and education, training, and library occupations. Capital investment projects in South Carolina in the professional, scientific and technical services industry also reflects these trends.

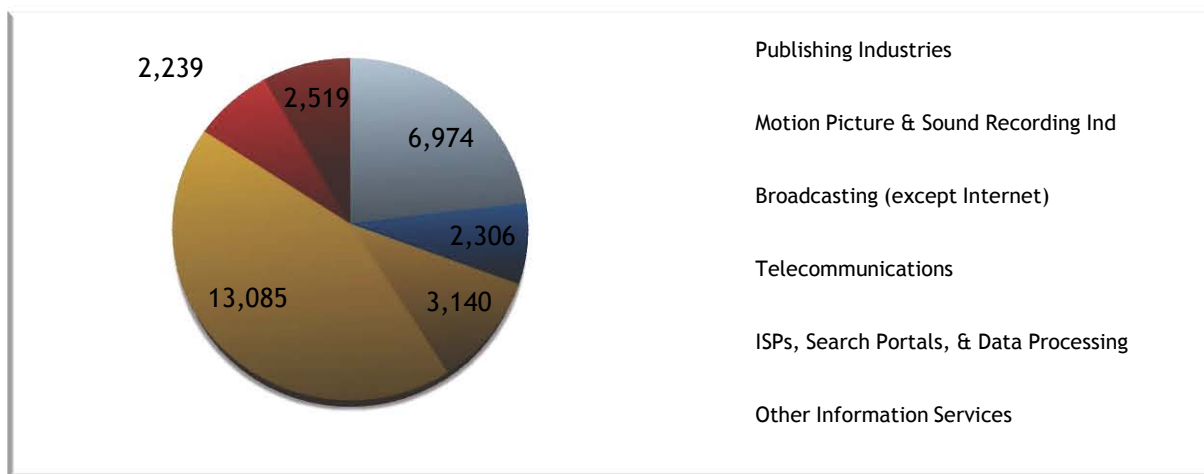
Table 5.3: Professional, Scientific, and Technical Services Growth: SC vs. US

South Carolina	60,500	73,500	13,000	21.4%	12,223
United States	6,648,800	7,662,000	1,013,200	15.2%	944,448

Source: U.S. Department of Labor, Bureau of Labor Statistics

Industry in Focus: *Information Services*

The information technology industry covers a wide range of activities, including software publishing, telecommunications services, data processing industries, and motion and sound recording industries (Figure 5.7). The largest component of this industry in South Carolina is the telecommunications sector, followed by the publishing sector, and jobs in these industries are on the rise. Furthermore, IT jobs are no longer confined to the realms of software and business. The information technology revolution continues to transform various industries that are utilizing IT to find innovative ways to create new products, further increase productivity and change the rules of how businesses traditionally operate. IT jobs now include functions such as Web site design, all the way through to complex supply-chain and tracking and shipping issues. This use of IT in industry is pervasive; IT jobs in non-IT industries grew 5.5% between 2003 and 2005, significantly faster than average job growth.² IT job growth has been one of the hottest sectors not only in the U.S., but also in South Carolina. South Carolina is growing high-tech jobs at one of the fastest rates in the nation, according to the American Electronics Association, a technology trade group.

Figure 5.7: South Carolina Information Services 2006

Source: U.S. Department of Labor, Bureau of Labor Statistics

² The 2007 State New Economy Index: Benchmarking Economic Transformation in the States.

Table 5.4: Information Services Growth: SC vs. US

Information Services	2002 Employees	2007 Employees	Change	% Change	2006 Establishments
South Carolina	27,900	27,800	100	-0.36%	1,594
United States	3,395,000	3,029,000	366,000	-10.8%	149,506

Source: U.S. Department of Labor, Bureau of Labor Statistics

Employment in information services has fallen from 2002 to 2007 (Table 5.4). However, the decline has been much smaller in South Carolina compared to the United States. However, employment in this sector is expected to grow over the next 10 years for both South Carolina and the United States. Growth of over 22 percent is expected for South Carolina, while it is predicted to be around seven percent for the United States. The expansion of information technology applications translates into a more productive workforce and higher incomes (thus higher standards of living).³ The industry produces highly-skilled, high-wage jobs; average high-tech industry wages reached \$72,000 in 2005 in South Carolina (more than double the per capita income in the South Carolina). Despite the various undulations the IT industry has undergone since the 2000 meltdown, the sector remains a crucial source for technological innovation and productivity growth. Furthermore, the value-added by IT to South Carolina's economy is undeniable.

The New Economy: Incorporating Innovation & Technology

Manufacturing is but one facet of South Carolina's economy. Another integral part of the diverse economic base in South Carolina is the "new economy." What is the "new economy?" It is the "quantitative and qualitative changes that in the last 15 years have transformed the structure, functioning and rules"⁴ of the previous 'old' economy. First and foremost—it is global, entrepreneurial and knowledge-based. The new economy incorporates such industries as business, technical and information services. The metrics for determining the health and growth of this new economy are evolving. Entrepreneurial activity, venture capital and patents are all benchmarks for measuring the potential health and growth of this new economy.

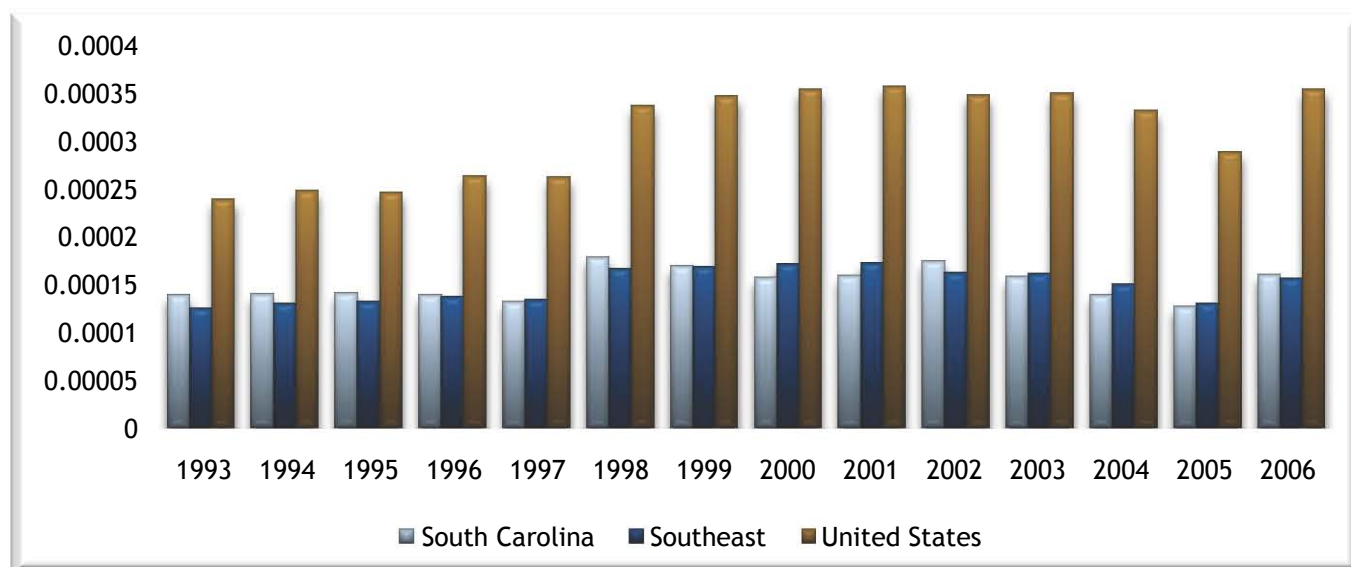
Patents

It is little wonder that states with typically strong tech-based entrepreneurial activity (including California and Massachusetts) have high numbers of patents issued and a large concentration of engineers and scientists in their workforce. Conversely, states generating the fewest inventor patents per capita tend to be Southeastern, with workforces rooted in agriculture and more traditional industries such as manufacturing. The per capita number of patents is significantly lower in the Southeast region and South Carolina compared to the nation as a whole (Figure 5.8). This is consistent with the fact that the percentage of the population with graduate or professional degrees is lower in the Southeast and South Carolina compared to that of the nation. According to the *2007 State New Economy Index: Benchmarking Economic Transformation in the States*, South Carolina ranks 42nd in the U.S. in patents issued. This figure compares with Georgia and North Carolina being ranked 25th and 27th, respectively. However, an encouraging detail in the numbers indicates that patents issued to South Carolinians have rebounded in 2006 after three consecutive years of decline.

³ "SC Adding High-Tech Jobs Rapidly," Richard Breen, GSA Business Journal, April 2, 2008.

⁴ The 2007 State New Economy Index: Benchmarking Economic Transformation in the States, Robert D. Atkinson and Daniel K. Correa; Kauffman Foundation and the Information Technology and Innovation Foundation.

Figure 5.8: Patents Per Capita, 1993 - 2006

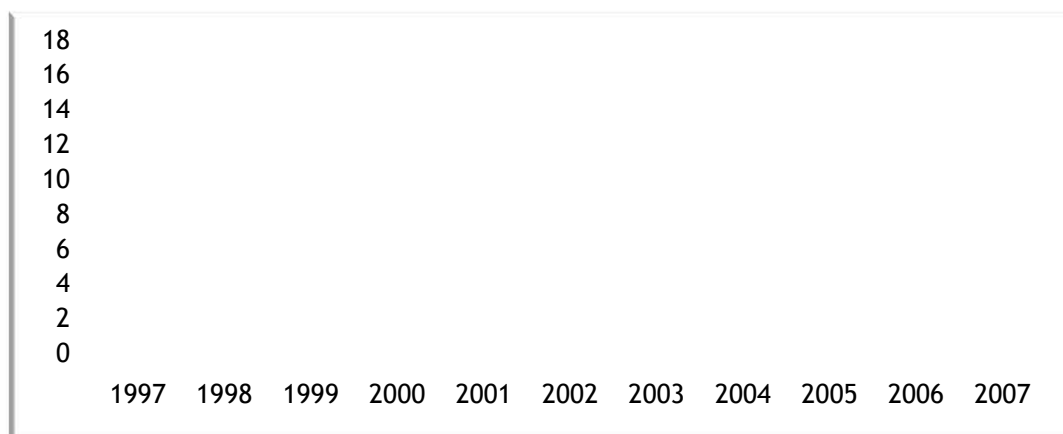


Source: U.S. Patent & Trademark Office

Venture Capital

Venture capital investments are often cited as indicators of an innovative and growing economy. They provide a crucial source for uncovering and funding new, fast-growing entrepreneurial companies. Venture capital funding bridges the gap from a promising innovation to a concrete product that can be brought to market. Its utility as an indicator for the health of a state's new economy is somewhat limited due to the nature of the venture capital market. Venture capital is highly concentrated in two states—California and Massachusetts. In 2005, 79 percent of investments went to 10 states, up from 69 percent in 2000.⁵ South Carolina's venture capital market is growing, but still remains one of the smallest in the nation. It ranked 44th in the nation in venture capital investment in 2007.⁶

Figure 5.9: South Carolina Venture Capital Investment Deals, 1997 - 2007

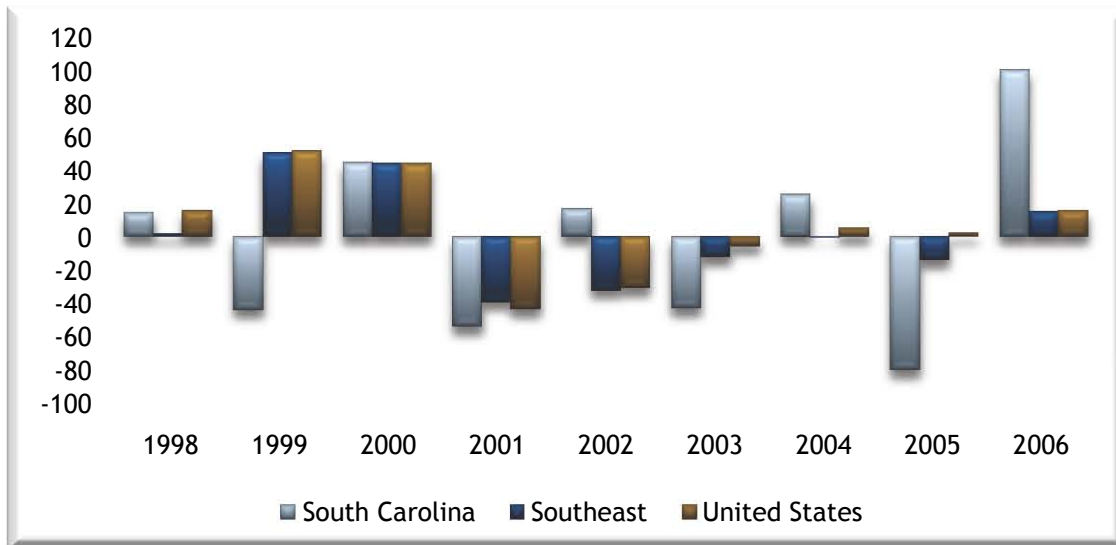


Source: PricewaterhouseCoopers/National Venture Capital Association MoneyTree(tm) Report

⁵ *ibid*, pg. 50.⁶ *ibid*.

Despite a previous downturn, the venture capital market in South Carolina is showing signs of growth. It too—similar to patents issued—has shown resurgent growth since 2005, after years of decline (Figures 5.9 and 5.10).

Figure 5.10: Venture Capital Deals Growth Rate, 1998 - 2006

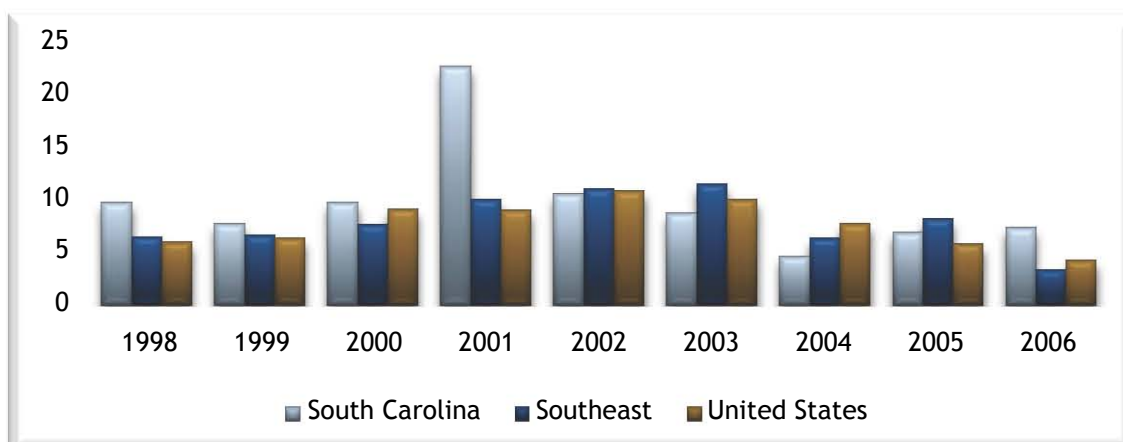


Source: PricewaterhouseCoopers/National Venture Capital Association MoneyTree(tm) Report

Research and Development Spending

The growth rate of R&D spending at universities in South Carolina between 1998 and 2001 had been higher than that of the Southeast region and the United States. Note that, in 2001, there was a growth rate of 22 percent for South Carolina compared to 10 percent and 9 percent for the Southeast and United States, respectively (Figure 5.11). In 2002 and 2005, the growth rate of R&D spending at South Carolina universities was lower than that of the nation and the Southeast region. This was due to the huge jump in 2001. Between 2004 and 2006 the growth rate has been increasing in South Carolina, while decreasing in the United States. In 2006, the growth rate of R&D spending at universities in the state was much higher than that of the Southeast region and the United States.

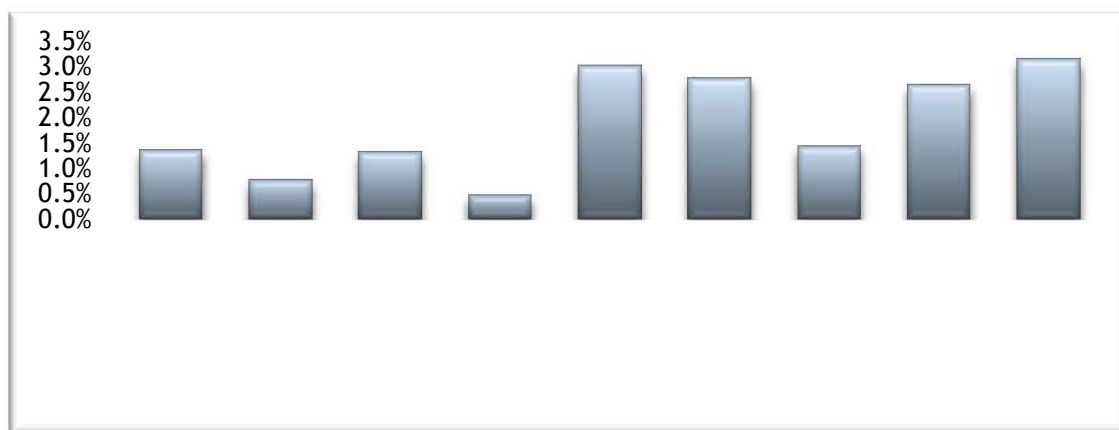
Figure 5.11: R&D Spending at Universities Growth Rate, 1998 - 2006



Source: NSF Survey of R&D Expenditures at Universities and Colleges

Universities are not the sole source for funding research and development. Industry also plays a pivotal role. Business provides just under two thirds of all R&D funding in the United States.⁷ South Carolina ranked 4th in the Southeast for industry investment in research and development (Figure 5.12).

Figure 5.12: Adjusted R&D as Percentage of Worker Earnings, 1998 - 2006



Source: 2007 State New Economy Index (number in parentheses is the national ranking)

Conclusion

South Carolina's economy remains a tale of two industries: the continuation of the manufacturing tradition in the state, alongside the growth of the new economy which includes professional and technical services and information services. One is inextricably linked to the other. Manufacturing will continue to be a vital part of the economic landscape in South Carolina. Technology is enabling industry in South Carolina to be more productive, and therefore more competitive, in the face of global competition. Manufacturing will maintain its traditional role as a mainstay of the South Carolina economy if the state can continue to foster a business climate that encourages firms to become more productive and competitive. This can be achieved, in part, by encouraging the growth of the professional and technical services and information services sectors that will be the birthplace of technology and innovations that drive the new economy forward in South Carolina. It is the state's ability to continue to foster a strong business climate that embraces new technology and finds new ways to facilitate the transition from the old economy to the new that will ultimately shape the industrial landscape in South Carolina.

⁷ Ibid, pg 49.

CONCLUSION

South Carolina is an increasingly attractive place for people to live and work, as indicated by high population and migration growth rates. South Carolina can take pride in the fact that so many non-natives continue to choose the Palmetto State as the best option for their families. This population surge helps fuel growth in the state's economy and jobs. However, it also puts pressure on the state's economy to absorb more job seekers, which can lead to higher unemployment rates until the job market can absorb those new workers.

South Carolina's labor force has been growing at a fast rate. However, while falling, South Carolina's unemployment rate has remained stubbornly high compared to the United States as a whole, largely due to labor force growth (with the job market having to absorb new workers) and manufacturing declines. Also, labor force participation has been lower in South Carolina than in the United States. A significant factor behind this is lower participation among older South Carolinians.

South Carolina continues to lag behind its neighbors and the United States in income. The gap in per capita income between South Carolina and the United States has not improved, with growth relatively flat over the past few years. Lower income levels are mitigated somewhat by South Carolina's generally lower living costs.

Closely related to income are the skill levels of workers. The skills needed for South Carolina's jobs have increased and will continue to increase in the future. However, the skills of South Carolina's workforce still lag behind those of the nation. Therefore, initiatives such as these are helpful:

- The SC WorkReady Career Readiness Certificate Initiative which helps workers improve and document the basic skills most in demand by employers;
- State-funded college scholarships that are keeping more of South Carolina's "best and brightest" in the state;
- Efforts to improve graduation rates being undertaken by the South Carolina Department of Education and economic development groups;
- Endowed Chairs programs at the state's research universities to support development of new technologies.

South Carolina remains attractive for capital investment. Despite economic uncertainty, businesses have invested in new and expanded facilities in the state at increasingly higher amounts. Further, the average wage for the new jobs created is well above the state's average. Of particular note is South Carolina's continued success at attracting investment from international companies. Economic progress increasingly means participation in the global economy, and South Carolina has long embraced this concept before many other states. Foreign investment has been a significant part of the state's economic landscape for years. That means South Carolina is not a "foreign" place to international companies. The state continues to reap benefits from this openness and is broadening its reach to more countries. This growing global reach also extends out of South Carolina, as exports are a significant contributor to the state's economy. Exports should play an even greater role once planned port expansion takes place.

Because it has attracted people and investments, South Carolina has been generating jobs at a healthy pace. Education and health services have been the fastest-growing sectors in terms of jobs. Other service-providing

sectors such as financial activities, professional and business services, and leisure and hospitality have also experienced strong growth. On the other hand, manufacturing has continued to lose jobs. Job growth in South Carolina is expected to continue over the next several years, with over 200,000 more jobs, or 11 percent growth, from 2006-2016. All major industry sectors are expected to grow except manufacturing. While it will have fewer jobs, manufacturing will continue to be significant to the state's economy. However, the face of manufacturing in South Carolina is changing from labor-intensive to technology-intensive (meaning fewer but higher-skilled, higher-paying jobs). Also, it continues to move away from the traditional textiles and related industries and toward industries such as the automotive sector. Meanwhile, non-manufacturing sectors such as professional, scientific and technical services as well as information services are growing in relevance. In order to achieve strong economic growth in the future, South Carolina will need to focus on developing industries with the most potential for growth. This direction does not exclude manufacturing; indeed, many opportunities for growth exist within manufacturing subsectors, research and development, and complementary industries. The challenge for the state will be to identify and nurture these areas. It is the state's ability to continue to foster a strong business climate that embraces new technology and finds new ways to facilitate the transition from the old economy to the new that will ultimately shape the industrial landscape in South Carolina. Encouraging signs for future economic diversity and growth are increases in patents, venture capital, and research and development spending in South Carolina.

One issue noted throughout this report is the discrepancy between the economic vitality of South Carolina's urban and rural areas. Population growth has been centered in urban areas. There are rural areas which have not attracted people from out of state and have seen people leave for better opportunities. Labor force growth has been much lower in rural areas than urban areas, due to slower population and job growth. Labor force participation is much lower in rural areas. Additionally, a significant income gap exists between urban and rural areas in the state. Being more dependent on manufacturing for its jobs (around a quarter of its jobs), rural South Carolina has been particularly hard hit by the ongoing loss of manufacturing jobs. With manufacturing jobs projected to decline further, rural areas will face more challenges and stresses. The varied fortunes of urban versus rural areas are not unique to South Carolina. However, developing growth strategies tailored toward each area's unique characteristics can facilitate narrowing that gap and help make South Carolina an even more attractive place to live and work.